PRELIMINARY REPORT ON THE CURRENT STATE OF MERGERS AND ACQUISITIONS IN JAPAN

by
H. Richard Nakamura

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Postal address: P.O. Box 6501, S-113 83 Stockholm, Sweden. Office address: Sveavägen 65
Telephone: +46 8 736 93 60 Telefax: +46 8 31 30 17 E-mail: japan@hhs.se Internet:
http://www.hhs.se/eijs

Preliminary Report on the Current State of Mergers and Acquisitions in Japan*

H. Richard Nakamura

The European Institute of Japanese Studies

Stockholm School of Economics

P.O. Box 6501

113 83 Stockholm

Fax: +46 8 31 30 17

e-mail: richard.nakamura@hhs.se

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Abstract

In recent years, the pattern of M&As in Japan has changed significantly. Increasingly, managers and owners of Japanese firms seem to have realized that there are efficiency benefits with M&As, and that there exist strategic dimensions in doing M&As. Almost on a daily basis, newspapers report on new M&A deals, involving all industries in the country. However, the skepticism to M&As is still very deep-rooted, and there are fewer Out-In M&As than In-In M&As.

The distribution of M&A activities among the industrial sectors is extremely uneven, as well as the distribution of the type of M&A. Overall, acquisitions and capital participation are the most common modes of M&A. Looking closer, the pattern of M&A depends on the industry and the competition situation in that particular industry.

Further, in studying Japanese M&As, a distinction between large firms and small- and medium-sized firms is necessary. The reason for this is the difference in nature between these two groups of firms. While large firms are international enough to recognize a foreign firm as a suitable M&A partner or buyer, SMFs make M&A decisions out of a different set of perceptions. Therefore, the M&A behavior becomes more diverse in the latter group than in the large firms sector.

The conclusions of this paper are twofold. First, apart from the M&A pattern itself, the cultural factors heavily influence the M&A decisions of all firms in Japan. Second, the future of Out-In M&As is much dependent on how much the Japanese economic performance improves.

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1. Introduction

For many years, Mergers and Acquisitions (M&A) in Japan meant in practice domestic M&As. Large companies and company groups, so-called *keiretsu*, have for many years been engaged in numerous M&As. Most often, the aim of these M&As has been the consolidation of business or the financial rescue of group daughter companies.

In recent years, starting from the 1990s, the pattern of M&As has changed significantly. Increasingly, managers and owners of Japanese firms seem to have realized that there are efficiency benefits with M&As, and that there exist strategic dimensions in doing a M&A. Almost on a daily basis, newspapers report on new M&A deals, involving all industries in the country. However, the skepticism to M&As is still very deep-rooted. Most domestic as well as international M&A talks do not result in an actual deal. An estimation made at the Fuji Research Institute[1] is that over 70% of all M&A talks in Japan end in failure. Furthermore, the pattern of M&A differs between the large companies in the industrial groups and the small- and medium-sized firms (SMFs). "Western-style M&A", if this label on M&A style of Europe and North America is allowed, is to a large degree confined to the *keiretsu* sphere of companies. In contrast, most SMF M&As have its causes in financial difficulty or difficulty in finding a successor to the company founder.

In this paper, I will map out the current situation of M&As in Japan. What is the M&A pattern among the industries, and what is the popular and managerial attitude towards M&A?

2. Foreign-Japanese M&A

2.1 Acquisitions rather than Mergers

The trend of increased inward foreign direct investment in the form of M&As is undoubtedly strong. Since 1985, M&As between foreign and Japanese firms have increased six times. Figure 1 shows that the development towards increased M&A started only in the latter half of the 1990s. Before then, the number of M&A deals

[1] Interview with Osamu Yasuda 26 October, 2001.

between foreign and Japanese firms (Out-In M&As) remained more or less constant[2]. Foreign investors' interest in doing M&As in Japan increased only after the deregulation process in the various industries gained momentum in the 1990s. Earlier, the main strategy for entering the Japanese market for foreigners was through joint ventures and greenfield investments, which lowered potential gains by being costly and very time-consuming alternatives compared to M&A strategies. However, in order to enter a market through M&A, there must obviously exist potential partners or sellers.

From the Japanese firms' point of view, it is no secret that they traditionally have been content with an arm's-length relation with their foreign partners. Foreign-Japanese mergers are virtually unheard of, and foreign acquisitions of Japanese companies were rare until the 1990s. Only after the burst of the "bubble economy" in 1991 and the subsequent decade-long recession did the number of Out-In M&A deals increase. From the Japanese side, this was a development due to harsh reality rather than an expression of a sudden commitment to internationalism. The post-bubble debacle in the financial sector left a number of companies in financial distress. For these companies, the market for "rescue takeovers" had shrunk considerably compared to earlier years because of the sheer number of firms in a dangerous

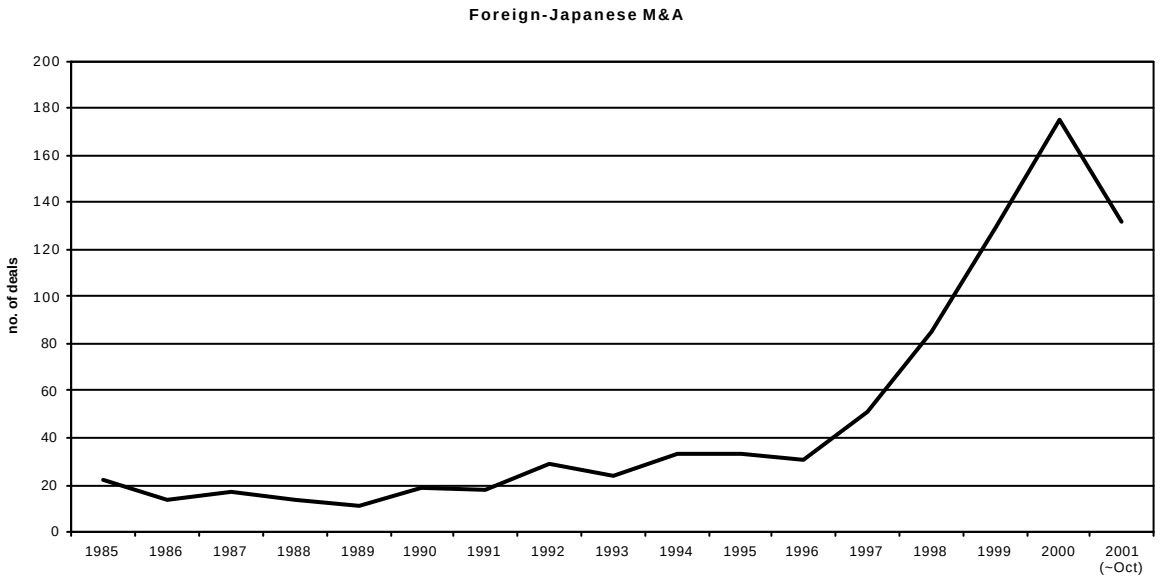


Figure 1. Out-In M&A deals in Japan January 1985 - October 2001. (*Source:* Recof Corporation)

[2] There are no good-quality data available for the situation before 1985. However, the level of inward FDI through M&A has been extremely low throughout the post-war period in Japan.

financial position; the only option left was often to turn to foreign companies, which were willing to acquire distressed Japanese firms as a way to enter the Japanese market. In other words, foreign companies became attractive as potential partners for the Japanese firms only in this situation.

However, this has shown to be beneficial to both parties. For the rescued Japanese firms, the sheer survival of the firm itself through the M&A was most important, while for the foreign firms, the acquisition of a Japanese often meant a cheap way to enter the Japanese market by directly acquiring market know-how and a company name well-known to the market.

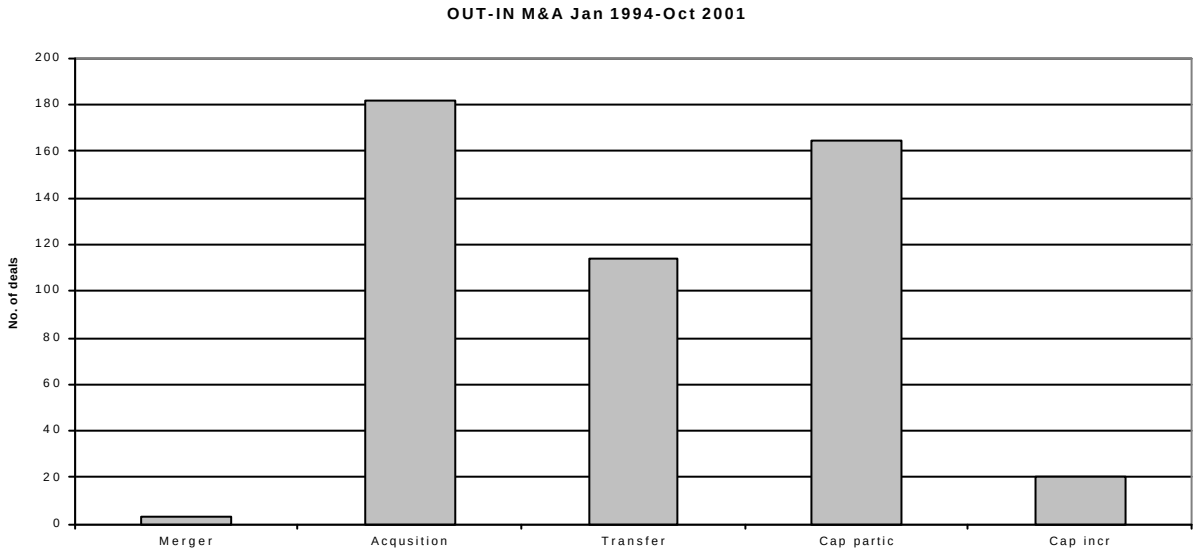


Figure 2. Distribution of foreign-Japanese M&A deals 1994-2001. (*Source:* Recof Corporation)

As can be seen in figure 2, the most common form of Out-In M&A is either acquisition or setting up a joint company with a Japanese partner. In comparison, international mergers in Japan are extremely unusual. Between 1994 and 2001, only 3 such deals out of 484 are recorded. Here again, it is apparent that the foreign companies favor acquisitions rather than mergers. Mergers are difficult and complicated by all means, and in the Japanese case, the common perception of high language and cultural barriers between foreigners and themselves do not make things easier[3]. Taken together, acquisitions and joint ventures are therefore seen by foreign firms as a “fast track” for setting up operations in Japan.

[3] Please see section 5 for further elaboration.

Another question emerging in this context is how active foreign firms are in looking for M&A candidates in the SMF sector. The answer to this is quite simple: the foreign consultants in Japan are not into the SMF M&A market. Bearing in mind that the foreign firms often rely on Western consultants when searching for M&A candidates, the low number of Out-In SMF M&As is not surprising. Since the profits from M&A mediations when SMFs are involved are small compared to large firms deals, the foreign participation on the SMF M&A market is very small. In addition, SMF owners suspicious of foreign consultants they never have heard of make a low Out-In SMF M&A rate even lower[4].

2.2 Results of foreign-Japanese M&As

Although few in number compared to domestic M&As, several foreign M&As do exist. One of the successful ones is the Canadian life insurer Manulife, which acquired the Japanese life insurer Dai Hyaku Seimei Hoken in 1998. Through this acquisition, Manulife could exploit the deregulation of financial markets that took place the same year, and has positioned itself as a growing niche actor in a mature industry. A second example is Renault, whose gradual acquisition of the shareholding in Nissan[5] has made it the largest minority owner. Nissan's financial position has improved dramatically as a result of this, and the cross-ownership with Renault has given Nissan relative cost advantages over other Japanese car manufacturers, such as lower R&D and marketing expenses. A crucial factor in Nissan's revival, however, is the fact that the new Brazilian CEO is fully backed by his Japanese predecessor and the Nissan board of directors[6]. Other successful examples are GE Capital's acquisition of several consumer loan firms, Vodafone's acquisition of the majority stake in J-Phone, and the acquisitions of various ex-Yamaichi, LTCB and NCB divisions made by major European and U.S. banks.

As the deregulation of various market and submarkets continues, the M&As between foreign and Japanese firms will probably increase at an even faster rate than before. Especially the financial industry is worth attention, since the bad financial state of

[4] Interview with Katsushi Harada on 4 December, 2001.
[5] By 2001, the Renault share of Nissan amounted to 44.4%.
[6] Interview with Emiko Magoshi on 3 December 2001.

many banks will force them to sell out profitable assets in order to recover their huge bad loans. Also, retailing and wholesale industries will probably go through major changes in their structures and see more foreign actors during the coming years as results of deregulation and concentration of the market.

3. Domestic M&A

The overall picture of domestic M&A activities in Japan of the past is the one of "non-strategy". Being mostly "financial rescues", these In-In M&As have had little time for more profound economic consideration, and often as not initiated by forces

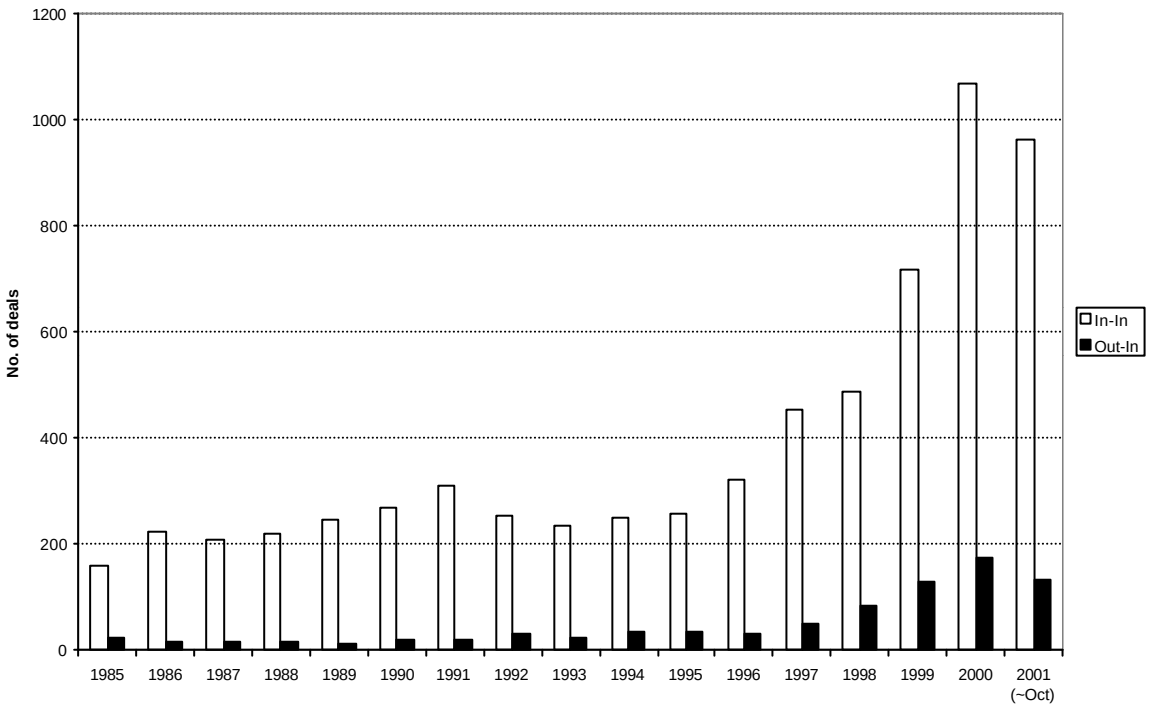


Figure 3. Number of domestic ('In-In') and foreign-Japanese ('Out-In') M&As between January 1985 and October 2001. (*Source:* Recof Corporation)

outside the firms such as the former Ministry of International Trade and Industry (MITI) or the former Ministry of Finance. In other cases, mergers have been organized without an apparent economic reason[7]. Although still occurring, these

[7] A good example of this is from 1969, when the CEOs of Yawata Steel and Fuji Steel decided on a merger over a talk. They decided arbitrarily to merge on 1:1 basis. The shareholders of these companies later learned about this merger only from newspapers (Okumura, 1990). Furthermore, there has been a tendency in the financial sector that the only consideration for a merger is the size of the total assets of a merger partner and not the potential yield the merger will bring in terms of improved cash flow, return on investments (ROI), return on equity (ROE) etc. (Interview with Hisao Kawabata on 13 November 2001).

“non-strategy” In-In M&As have declined in number under the new macroeconomic realities of the “post-bubble” period.

3.1 Keiretsu M&A

As seen in figure 3, there are overwhelmingly more In-In M&As compared to the Out-In M&As[8]. The motives behind *keiretsu* or large-firm M&As also tend to differ from Out-In or even SMF In-In M&As, by often being organized for financial rescue of other firms (*keiretsu* firms and other firms alike) or for diversification purposes. In later years however, the number of horizontal M&As for purely defensive reasons has increased in number.

Regarding M&A as a tool for financial rescues, many large-firm M&As are characterized by de facto bailing out of defaulting companies. In these M&As, the Japanese authorities have played a heavy role by being extremely active through practices such as "moral suasion", where Japanese authorities "persuade" larger firms to initiate M&As in order to financially rescue ailing firms. This type of less efficient M&A has been vividly reported in Japanese media, thus contributing to the negative public view of M&As.

M&As aiming for diversification have been less controversial in Japan. Although it is debatable whether this is profitable strategy for the firms concerned, this type of large-firm M&A has become common during the last few decades.

Horizontal M&As, which are defensive in character, have shown an increase during the last few years. The most apparent are the M&As in the financial industry after the “Big Bang” liberalization reform of 1998. The financial market shows a clear pattern of market concentration through the Japanese banks’ large-scale mergers, driven by increased international competition and the problems with bad loans. This is typical for mature industries with low growth rates[9], and such an M&A can be labeled

[8] This pattern is not unique for Japan. In a study by Mucchielli and Kohler (2000), it was found that 60% of all M&A within the EU are domestic.
[9] Other examples of low growth industries are the car manufacturing, pharmaceutical, chemical and steel industries.

defensive as it results in increased market share through market concentration rather than by strategic growth.

3.2 SMF M&A

Somewhat in contrast to the major companies, there are less SMF M&A that primarily aim for financial rescue of target firms. Lacking the access to expensive specialist know-how and financial recourses to conduct an aggressive business development strategy, the pattern of M&As among SMFs is very different in nature compared to large firm M&A. Before elaborating further, a few words on the business conditions for Japanese SMF entrepreneurs are necessary.

SMFs are an important part of the Japanese economy, and exist typically in the agricultural, manufacturing and service sectors. Furthermore, many SMFs are managed by their founders and their families, and the owners often have extensive personal networks. The aim of these entrepreneurs is very often limited to financially supporting the family, and the expansion of their business is often not their main focus. Therefore, the main problems that a Japanese SMF entrepreneur faces are finding a suitable successor, business troubles or difficulties in finding necessary venture capital.

However, reluctance to M&A as a solution to such situations is strong. Among entrepreneurs, there is a pronounced image of M&As as a failure, and there exist very strong emotions connected to this concept[10]. Views such as “selling one’s firm is like selling your own son” is common, and a seller might even be seen as a failure by fellow entrepreneurs in the local society. There are stories about entrepreneurs who, in order to save face, disguise the actual sale of a company as a “business transfer” by continuously selling off his firm piece by piece to the same buyer[11].

Still, SMF M&As do exist and the role of informal networks here cannot be ignored[12]. Through formal and informal networks, the owners of SMFs do know each other very

[10] Interview with Shinobu Muramatsu on 27 November 2001, and Osamu Yasuda on 30 November 2001.
[11] Interview with Shinobu Muramatsu on 27 November 2001.
[12] Interview with Katsushi Harada on 4 December, 2001.

well, and have a detailed picture of the financial situation of each and every member of the business community. Because of this, they can keep M&A talks very discreet and thus tend to contact a suitable M&A consultant only during the final stages, where the practical details are worked out.

There are also a number of SMFs that pursue a more "western" approach to M&A, i.e. as a strategic business development tool. These companies can often be found in the Kansai area, which has a strong tradition of entrepreneurship and willingness to take business risks. A small technology firm in Osaka provides an example of a strategic M&A among SMFs; the owner speculated on what the outcome would be if the technicians in his company were "exposed" to the know-how of the technicians in a partner company. In firm conviction that such a merger would lead to positive synergies, the Osaka entrepreneur arranged a merger[13]. Although this type of SMF M&A is still rare relative to the total number of SMF M&As in the Kansai area, the influence of the local business culture on the view of M&As is believed to be strong in this case[14]. In other words, regional differences in the Japanese business culture is a factor that should be taken into account when Japanese M&As are studied.

A wave of SMF M&As has been observed also in the pharmaceutical, wholesale and retailing industries. Typically enough, this development has been triggered by the macroeconomic performance of Japan and the subsequent changes in consumer behavior and increased competition. Many mergers have been reported over the last five years, especially in the wholesale sector; many medium-sized firms facing declining profits have merged into larger entities for efficiency reasons, causing a concentration on the wholesale market.

4. M&A activities on the industry level

The distribution of M&A activities among the industrial sectors is extremely uneven, as well as the distribution of the type of M&A. In the figures below, it is easy to see the differences in the pattern of In-In and Out-In M&A. Overall, acquisitions and capital participation are the most common modes of M&A. On closer inspection, the

[13] Japan Small and Medium Enterprise Corporation, pp. 115-116.
[14] Interview with Osamu Yasuda on 26 October 2001.

pattern of M&A depends on the industry, and reflects the competitive situation in each industry. For example, it comes as no surprise that the wholesale and retail industries have seen a large number of M&A deals during the 1990s. There have been equally many M&As in the financial industry. These examples are industries that have undergone extensive deregulation in the past few years. The same story applies to the chemical and pharmaceutical industries, which also have deregulated and have undergone an extensive structural change through several M&As.

Acquisitions and capital participations being the most common forms of M&A, it is interesting to see that the foreign firms' behavior is not very different after all from the Japanese ones. However, it should be also noted that virtually no observation of mergers between a foreign and a Japanese firm exists[15]. As I mentioned earlier, there is a tendency to prefer either a downright acquisition or an arm's-length relationship such as a capital participation.

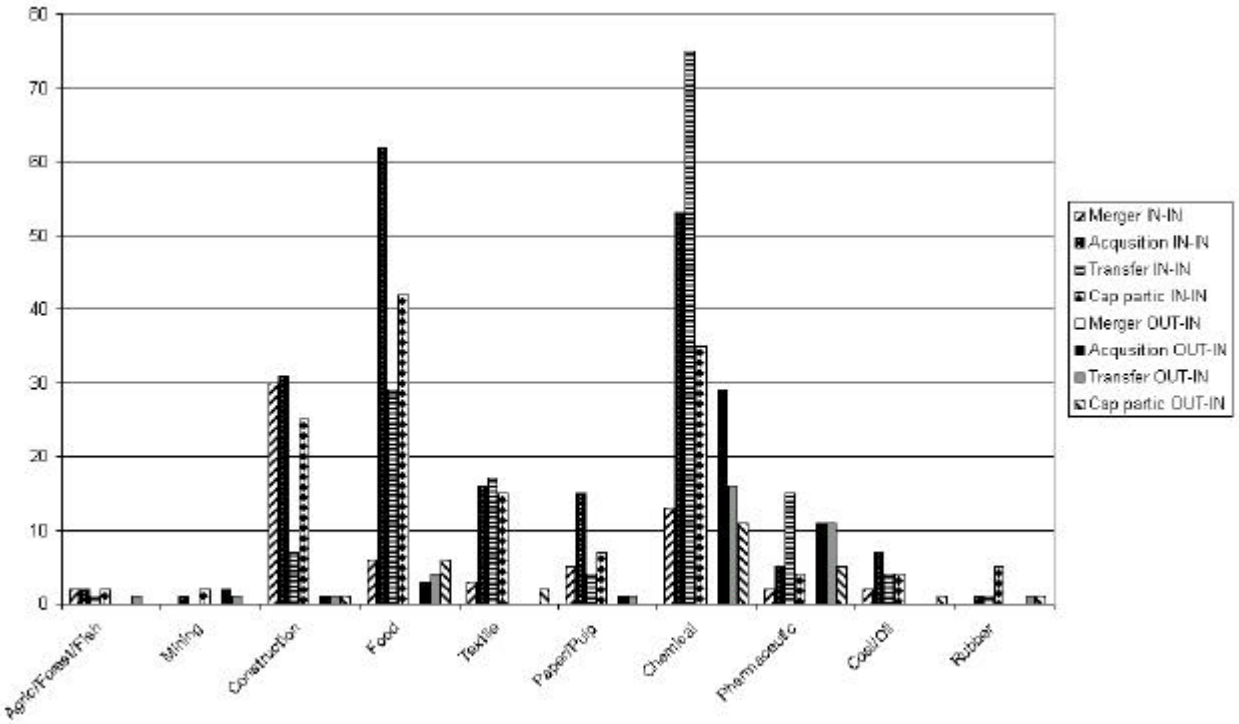
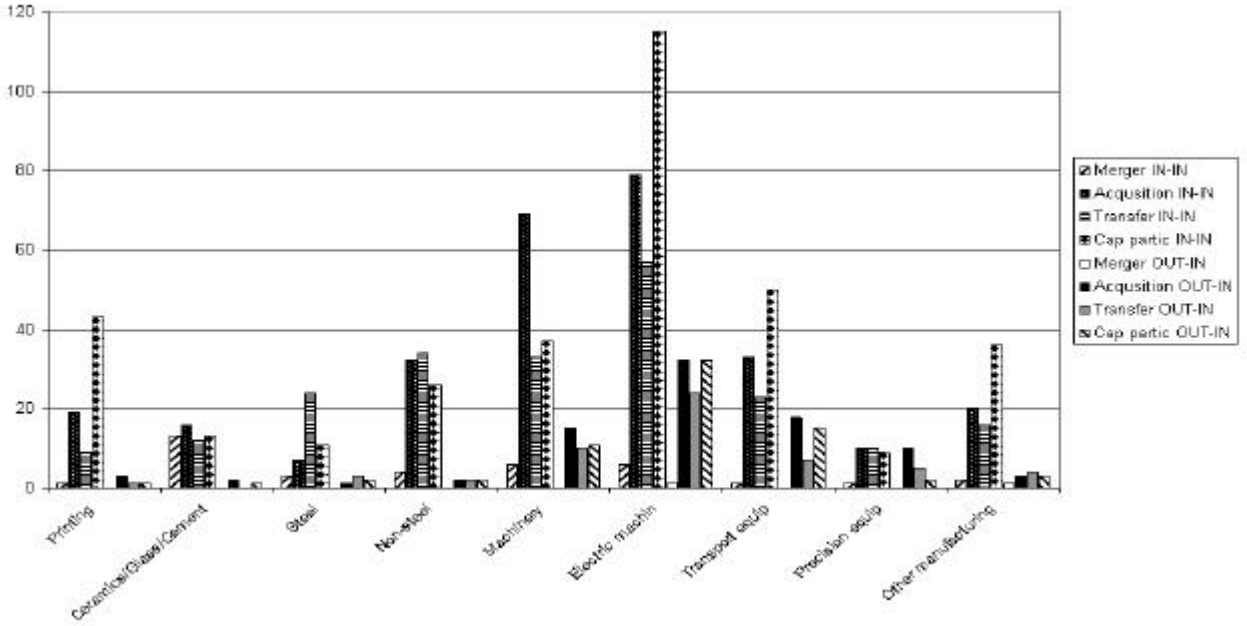


Figure 4. Number of mergers, acquisitions, business transfers and capital participations deals (In-In, Out-In) industrywise between January 1994 and October 2001. (*Source:* Recof Corporation)

[15] During the period from January 1994 to October 2001, only three international mergers took place. All these cases were mergers between an Asian company's Japanese subsidiary and a local firm.



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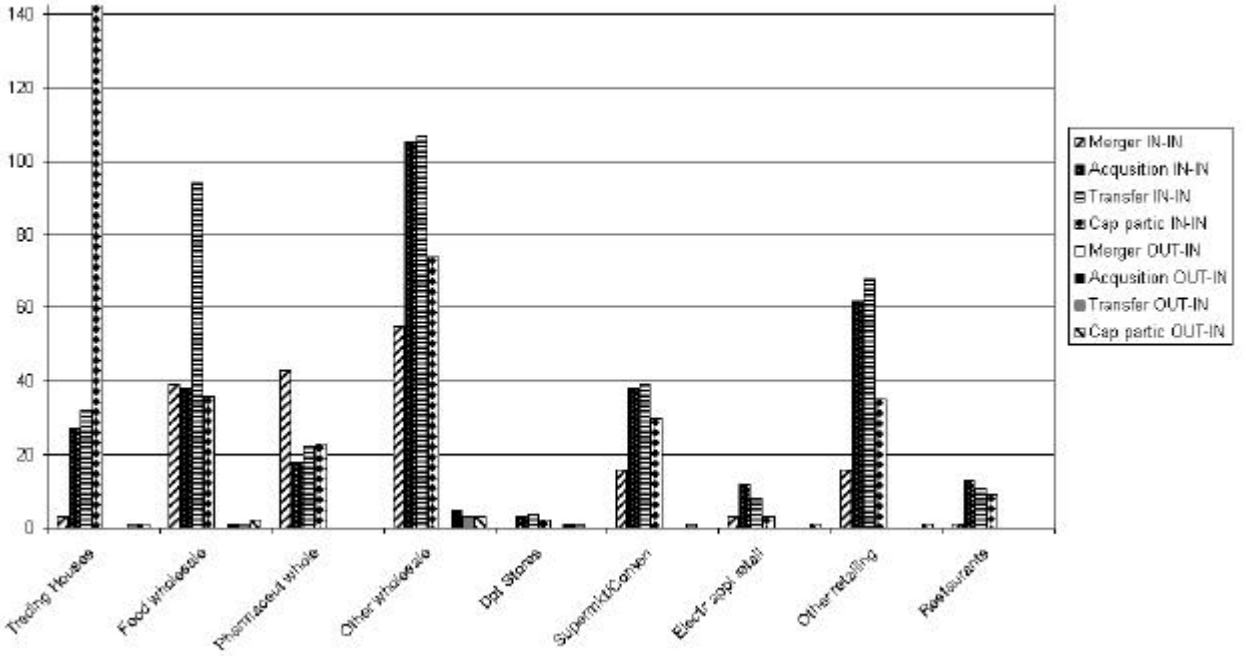

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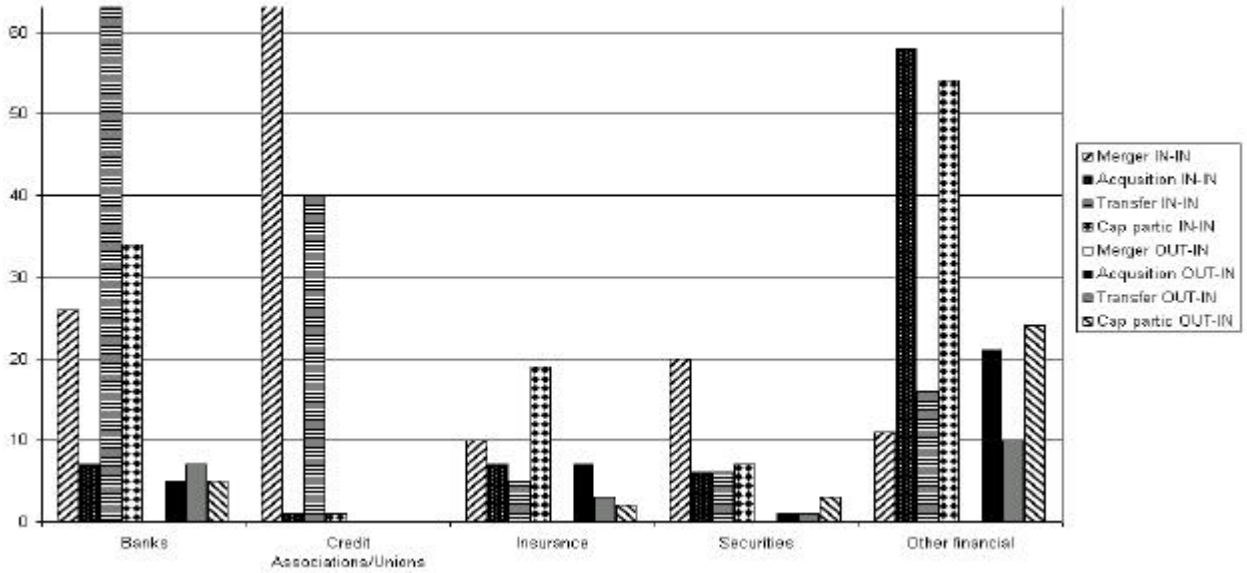

Figure 7. Number of mergers, acquisitions, business transfers and capital participations deals (In-In, Out-In) industrywise between January 1994 and October 2001. (*Source:* Recof Corporation)

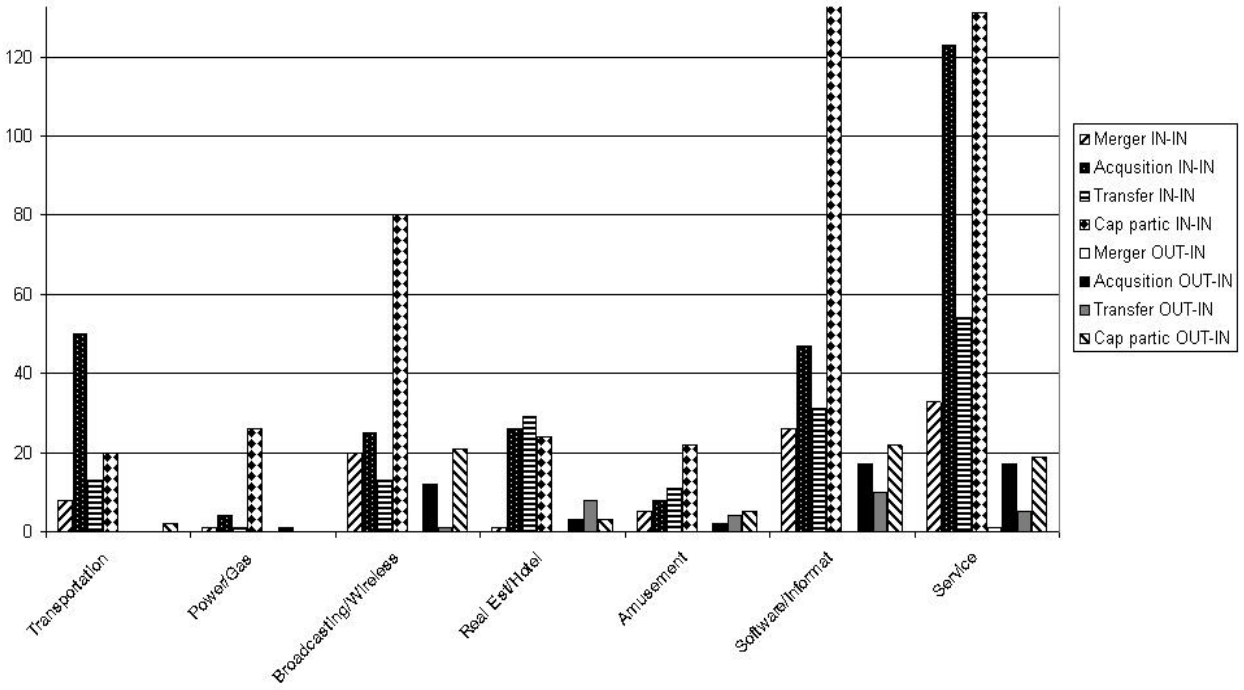

Figure 8. Number of mergers, acquisitions, business transfers and capital participations deals (In-In, Out-In) industrywise between January 1994 and October 2001. (*Source:* Recof Corporation)

5. Cultural dimensions

Although an extremely difficult variable to define as well as quantitatively measure, "culture" defined as a common perception of a certain phenomenon cannot be ignored in an analysis of M&A in Japan.

For a long time, the popular image of M&As has been negative, where the word "acquisition" has been used in media synonymously with the Japanese word "nottori", meaning "hijacking" in English. The general public harbors a negative attitude similar to the antipathy to M&As among SMF managers (see section 3). The widespread view in Japan is that only financially weak firms are involved in M&A discussions, or that potential buyers are "hijackers" of decent firms. Therefore, not many Japanese companies, neither potential acquirers nor sellers, want to publicly announce beforehand that they are engaged in M&A talks. When it comes to carrying out a M&A deal, the firm is faced with the challenge of convincing banks, employees and the public that the deal is good for the company. If the M&A deal concerns a strategic M&A, good rhetorical skills among the becomes crucially important for dispersing any suspicions of a "nottori" M&A. The firms' attitude towards M&As is characterized by the fears of negative valuation and publicity rather than seeing M&As as a strategic tool for development of the business[16, 17].

Having said this, the opinion is spreading among Japanese firms that the idea of being acquired is not necessarily bad. The development in the IT sector is an interesting example. Like in Europe and North America, the IT sector in Japan has undergone a serious crisis and went through a thorough restructuring due to the sudden fall in demand during 2000 and 2001. This development has led to a market concentration through many mergers and acquisitions. Especially interesting is the profile of the entrepreneurs in this sector compared to other industries. In contrast to the traditional manufacturing and services industries, the entrepreneurs of the IT sector are young and not laden with traditional values. The risk aversion that can be observed in the

[16] In a way, this is not very different from the reception of M&As in e.g. Sweden. However, the difference lies in the permeation of the negative image of M&As on all levels of society, i.e. not only among the general public and trade unions, but also in e.g. the business world.

[17] Japan Small and Medium Enterprise Corporation conducted a survey in 1999, where SMFs were asked about the fallout of their M&A activities. The response rate was only 16% (Japan Small and Medium Enterprise Corporation 2000, p. 7).

“traditional” *keiretsu* industries may be lower here. Although not tested at this stage, risk attitude could be an important explanatory factor in analyzing managerial behavior regarding M&A decisions.

As mentioned above, regional differences in business culture can also have an influence on the attitude towards M&As. For the large companies, the differences in business culture have over the years been replaced by differences in company culture. For the SMFs, the regional differences can be rather concrete, such as the case with Kansai entrepreneurs versus Nagoya or Kanto area SMFs. However, in order to ascertain the role played by regional business culture, an in-depth survey as a basis for analysis is required.

In 1999, the Japan Small and Medium Enterprise Corporation conducted a national survey regarding the attitude among SMF managers towards M&A as a phenomenon[18]. From a sample of 590 respondents, 48.1% answered that they had a more or less strong image of M&A as "selling your own child". Further, 63.9% felt that "with a M&A, there is a risk that information harmful to the company could be involuntarily disseminated". 37.7% even answered that “M&As may work in Europe and North America, but do not fit the Japanese [corporate] culture”[19]. In a similar survey made by the Tokyo Chamber of Industry and Commerce the same year, 17.1% of the respondents answered that they would “rather go bankrupt than doing M&A [meaning to be on the approached side in a M&A, author’s note]”[20]. These examples give some idea of how controversial and emotionally charged the M&A issue is in Japan.

However, everything does not depend on the “culture” or perception of phenomena. Language is also an important factor in explaining the pattern of M&As in Japan. For example, English is a compulsory subject in Japanese schools, but not many Japanese feel confident about using it actively. The credit unions and credit associations in Japan can serve as an interesting example. Although very active on the M&A market, none of them have chosen to tie up with foreign financial institutions after the

[18] Japan Small and Medium Enterprise Corporation, pp. 79-80.
[19] Ibid., p. 79.
[20] Ibid., p. 35.

liberalization of the financial markets. In most cases, either mergers with other credit unions and associations or transferal of business to Japanese banks have taken place. If the hypothesis that only financially weak firms tie up with foreign firms is true, the tendency of this particular sub-sector seems to contradict this. What is the cause of this disparity?

The credit unions and credit associations are most often founded by local citizens' groups, local merchants' associations or trade unions. Having had a very local focus on operations, the influence of its members is naturally quite strong. For example, any deal affecting the structure of the credit unions and credit associations had to be decided at a general meeting with its members. Since the financial markets have been regulated for many years, there are reasons to believe that the names of the famous financial institutions of North America and Europe are less known to local credit association members. In addition, the language barrier is probably higher among members and managers in this subsector than others. Therefore, these factors combined could have built high thresholds against execution of international mergers. Although this does not present the entire picture for the causes for M&As in this sector[21], the particular M&A pattern of the credit unions and credit associations sector could have been heavily affected by the language factor.

Yet another factor that is related to language is trust. As I mentioned in section 2.1, Western M&A consultants are not active on the SMF M&A market at all[22]. Although this is a deliberate decision by these Western consultants because of the low profit margins in mediating M&A for this size of firms, it is important to point out that the owners of SMFs prefer to do business with consultants well-known to them. In other words, the SMFs owners prefer to do business with Japanese M&A consultants because of the low positioning of the Western M&A consulting companies on the Japanese market.

[21] It should not be forgotten that the Japanese government pressured several regional banks to take over business from the credit associations and unions in order to save them. The ailing businesses of the credit associations and unions were hard to value. Thus, they might not have been of prime interest for the foreign financial institutions.
[22] Interview with Katsushi Harada on 4 December, 2001.

Thus, perceived low foreign languages skills, insufficient knowledge of foreign brands and low trust level are most likely to affect M&A decisions among Japanese companies, especially among SMF managers.

6. Prospects for the future

Many scholars and analysts in Japan believe that these views of M&A is a matter of generation[23]. As implied above, the prospects of institutional change concerning the attitude towards M&As depends on the industrial sector. The best prospects so far seems to be in the industries with high growth potential, while the management of the mature industries tends to stick to old values. The evidence from the financial sector, where Japanese banks are merging with other domestic financial institutions and creating large entities in an apparent attempt to defend themselves from international competition on the home market, seems to suggest this.

The future development of M&As in Japan and the continued participation of foreign firms on the M&A market depend on the macroeconomic performance of Japan. There is a need to raise the general awareness of M&As, in order to change the sttitudes towards them, such that firms will see them as a strategic tool for company development. The hope is therefore that the successful Out-In M&As will be "showcases" in promoting "Western" M&A style to the domestic company owners and managers.

7. Conclusion

In this paper, the current pattern of M&As in Japan has been reviewed. Although this has been a "hot" topic in Japan for some years, the popular view on the phenomenon has hardly changed. Rather, the increase in international M&As in Japan seems at the first glance to have strengthened the negative image, judging by the flow of articles

[23] Interviews with Wataru Minagawa on 24 August 2001, Yoshihiko Wakumoto on 12 November 2001, Emiko Magoshi on 3 December 2001, Shinobu Muramatsu on 27 November 2001, and Osamu Yasuda on 30 November 2001.

and advertisements in the popular press about “sudden” M&A takeovers of Japanese firms by foreign firms[24].

Contrary to this popular view of M&As, the Japanese business world has started to accept and discover the merits of M&As as conducted in Europe and North America. The “traditional” Japanese way of M&A is increasingly obsolete in today’s economic reality. To execute a M&A in order to support unhealthy companies is not only costly but also highly inefficient, and in the current Japanese macroeconomic environment, firms cannot afford this kind of “financial rescue” M&As.

In studying Japanese M&As, a distinction must be made between large firms on the one hand, and small- and medium sized firms on the other. The reason for this is the difference in nature between these two groups of firms. While large firms are international enough to recognize a foreign firm as a suitable M&A partner or buyer, and are often able to get service from both domestic and foreign M&A consultants, SMFs have a completely different reality to face. Also, owners and managers of these firms have a more varied perception of what an M&A is all about. Therefore, the M&A behavior in the SMF sector is more diverse than in the large firm sector.

Overall, the Out-In M&As are fewer than In-In M&As. Still, the M&As used as an entry tool to the Japanese market by foreign firms have increased rapidly during the last few years. There are several “success” stories, not only from the Western firms’ viewpoint of e.g. saving money compared to a greenfield investment, but also from the Japanese companies’ point of view, where an M&A in several cases turned around an ailing financial and business situation to a profitable one.

The prospects for the future is that “successes” may convince managers and owners of all sizes of firms that there is more to the concept of “mergers and acquisitions” than the “traditional” Japanese one, and to see the benefits and the strategic use of M&As.

[24] For example, a mass advertising campaign by an English-language school during fall 2001 sent out the message that foreigners may take over the ad reader’s company without any notice and therefore suggested that the ad reader attend their English conversation classes.

The cultural factors are indeed important when M&As in Japan are discussed. Traditional views are deeply rooted and very difficult to change. An opinion that is widespread among scholars and researchers is that this is a matter of time and generation, as well as which industry that is in question. Taken together, the view on M&As as a phenomenon is about to change, but with differing speed depending on the industry, the size of the firm, the social environment of the management and the manager himself or herself.

What will the future bring when it comes to M&As in Japan? One thing is certain: ultimately, the future development of the Japanese macroeconomic situation will decide how large incentives individual companies will have to carry out M&As. History has shown that for domestic M&As, too many cases have been as a result of outside pressure, and except for the domestic M&As undertaken in order to reach a dominant position in their respective markets, very few have been initiated voluntarily by the firms. As long as deflation continues and the bad loans problem, which affects the entire economy, remains unresolved, the profitability of the companies in Japan will continue to dwindle. At the moment, foreign firms are taking advantage of acquiring distressed Japanese firms ignored by domestic firms, but in the course of time, the foreign firms may lose interest if the macroeconomic performance in Japan continues to be bad. To the extent that the domestic firms' interest in more economic and strategic M&As is held up by the foreign firms' M&A, the future development of In-In M&A is very much dependent on the future development of Out-In M&As.

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