

Second Session of the Study Group for Issues Relating to Inbound M&A Transactions and Case Studies

November 21, 2022

**Investment Facilitation Division
Trade and Economic Cooperation Bureau
Ministry of Economy, Trade and Industry**

Issues discussed at the 2nd session

(Issue (1) Current investigation status of case studies, etc.)

Issue (1) Investigation status of case studies, additional case studies that should be investigated going forward

(Selection of case studies to be investigated and status of hearing surveys)

- Based on the selection policy discussed at the first session, a list of case studies was drawn up, taking account of the difference in buyers (foreign PE funds and overseas operating companies), the regions and industries of sellers and target companies, and the balance of patterns A~D*, etc. Hearing surveys are being conducted sequentially, focusing on the selling companies and the target companies.

<<Status of hearing surveys>> *See Appendix 2, "Specific Cases for which Hearing Surveys are Being Conducted"

Number of surveys conducted: 34(Those for which hearing surveys have been agreed as of November (maximum number of surveys planned is about 40))

Breakdown by buyer: 13 operating companies, 21 PE funds

Breakdown by pattern: A 14, B 8, C 6, D 6

(Distinctive cases and cases where hearing surveys are difficult to conduct)

- Cases of roll-ups (domestic M&A with funds invested after inbound M&A) and minority shareholding investments in start-up companies (in the later stage) are also subject to surveys.
- However, there were several cases, such as those involving overseas operating companies, for which was difficult to disclose the names of the companies and to conduct hearing surveys.

(Additional case studies that should be investigated going forward)

- Additional surveys will be added so that we can gather a greater variety of case studies, including regional cases where the selling company is not located in Tokyo.
- Cases in which transactions were not concluded were considered for analysis from publicly available information, etc. Separately, we will also investigate cases where the expected results were not achieved.
- Among cases where hearing surveys were difficult, if cases where it would be possible if the name of the company was not disclosed, we may request another hearing survey.

(Main Issues)

- Are there any additional perspectives or examples to be noted regarding the balance of regions, industries, patterns, etc.?
- In addition to cases of roll-ups and minority shareholding investment in start-ups, are there any other distinctive case studies that should be added?

*Pattern categories: A (sale of a part(s) of businesses or subsidiaries), B (sale by a large company of the company itself), C (sale by a small or medium-sized company for business succession and development), and D (investment in start-ups (including minority shareholding investment))

Issues discussed at the 2nd session

(Issue (2) How to summarize case studies, etc.)

Issue (2) Summary of case studies, directions, and details to be addressed

(Approach regarding case study formats)

- Case study formats were refined based on comments from the first session. In addition to the standardized format, a written overview page will be added to the case studies (e.g., post-M&A difficulties and efforts for overcoming such difficulties, direct feedbacks from employees, etc.)

(Draft version, 5 case studies)

- Five case study formats (draft versions) were developed from the 20 cases for which hearing surveys have already been conducted
- **Are there any formatting changes, description methods, or additional information that should be included to enhance the persuasiveness of the case study to the reader?**
- **Are there any improvements that should be considered if we assume that the readers are management and corporate planning staff or those who are not familiar with M&As, such as employees?**
 - <<5 cases by buyer/pattern>> *See Appendix 2, "Draft Case Study Formats"
 - Case study 1 (Fund, Pattern A) Carve-out of a listed subsidiary to a PE fund
 - Case study 2 (Operating company, Pattern B) Sale of a medium-sized manufacturing company to a foreign operating company
 - Case study 3 (Fund, Pattern C) Strategic capital alliance with a PE fund by management team seeking further growth
 - Case study 4 (Fund, Pattern D) Strategic capital alliance with a PE fund for a start-up company seeking to be listed
 - Case study 5 (Fund, Pattern D) Minority shareholding investment by a PE fund in a start-up company

(Hearing Survey topics and analysis of characteristics)

- In developing the formats, through public information and hearing surveys, a basic document summarizing the following topics is prepared for each case study.
- Information on the 20 case studies for which hearing surveys have already been conducted is summarized according to survey topics, and the characteristics and trends of inbound M&As are analyzed.
- **Are there any noteworthy commonalities, distinctive features, or advantages unique to inbound M&As?**

<<Main survey topics>> *See Appendix 2, "Summary of Survey Topics"

- Basic information and background about the case study (company information and investment amount, reason for the investment, expected results, why foreign investment was chosen, etc.)
- Effectiveness of the merger process and post-merger integration (support for achieving results, qualitative and quantitative changes, changes in staff employment, remuneration, and sentiment, etc.)
- Points to be noted, countermeasures, success factors (difficulties before and after M&A, how such difficulties were overcome, key factors for success, etc.)

Issues discussed at the 2nd session

(Issue (3) Methods for communicating the case studies)

Issue (3) Methods for publicizing the case studies

(Identifying publicizing methods)

- The following publicizing methods have been used, taking account of past case studies and hearing surveys with experts, etc.

<<Examples of publicity methods>>

1. Publication on websites (METI, Small and Medium Enterprise Agency, JETRO, related organizations, etc.)
2. Publication in organizations' PR magazines and newsletters (economic organizations, JETRO, financial institutions, etc.)
3. Lectures at information sessions and study groups (METI, local governments, related organizations, industry associations, etc.)
4. Publication in web media, M&A magazines and specialist websites
5. Holding online seminars, roundtable discussions, etc.
Concept: Panel discussion by parties involved in inbound M&As (buyers, target companies, etc.), etc.
6. Other
Outreach on social media, cooperating with companies that publish case studies, distributing information in English, etc.

(Main Issue) *See Appendix 2, "Specific Examples of Publicity Methods"

- Possible methods of publicity based on past efforts include publication on the Web, e-mail newsletters, and presentations at information sessions, etc.
- **Assuming that publicity is targeted at Japanese operating companies, to whom, what, and how should it be conducted in order to be effective?**
- **Are there any particularly effective or alternative methods of publicity that should be prioritized for implementation?**

Future Schedule of the Study Group

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- September 22: First session (policy for selection of companies to be surveyed, what to include in the case studies, etc.)
- Mid-October: Start of case study surveys
- November 21: Second session (status of case studies, discussion of publicity methods, direction of the case studies collection, etc.)
- Late December: Targeted completion of 40 case studies

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- January 24: Third session (confirmation of case studies)
- Around February: Fourth session (provisional date)