Provisional Translation

Ministry of Economy, Trade and Industry

Case Studies relating to Collaborations and Joint Ventures between Japanese and Foreign Companies in Japan

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Ministry of Economy, Trade and Industry
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Introduction

- In the rapidly changing global economy and business environment, where corporate management issues are becoming more complex and diverse, it is important for Japanese companies to create innovation and reform their business models so that they can achieve sustainable growth. Strengthening management and expanding sales channel through collaboration with foreign companies can be an effective option for this purpose. On the other hand, due to psychological hesitation towards foreign capital and delays in establishing internal management systems, Japanese companies lag behind of their competitor companies in other countries, with respect to collaborations and joint ventures with foreign companies.

- Japan has been implementing government-wide initiatives to promote foreign direct investment (FDI) in Japan and formulated the "Action Plan for Attracting Human and Financial Resources from Overseas," which was adopted on the 26th of April 2023 (Decision by the Council for Promotion of Foreign Direct Investment). As part of this effort, the Ministry of Economy, Trade and Industry (METI) has developed 'Case Studies relating to the use of inbound M&A transactions-Case Studies of Japanese companies that leveraged foreign capitals for corporate reforms, management enhancement, and dramatic growth' (Announced on April 19, 2023). In this research, inbound M&A cases were selected for reference when Japanese companies consider selling their businesses to foreign companies or private equity funds as one of their management options. These case studies also summarized the effects and significance of inbound M&A, as well as points to keep in mind. Furthermore, in August 2023, METI formulated the "Guidelines for Corporate Takeovers". The purpose of the Guidelines is to present principles and best practices that should be shared throughout the economy to develop fair rules regarding M&A transactions, with a focus on how parties should behave in the context of acquiring corporate control of a listed company.

- "Case Studies Relating to Collaborations and Joint Ventures between Japanese and Foreign Companies in Japan" present 11 carefully selected cases of Japanese companies that have succeeded in effectively utilizing overseas capital to solve management issues and achieve corporate growth, including their acceptance of joint investments with foreign companies and minority investments from foreign companies. To provide the most practical contents possible, the case studies also outline the background, challenges, history, and purposes of Japanese companies' collaborations and joint ventures with foreign companies as well as the process of collaboration(consolidation) and the results achieved after accepting such investments. It also presents in an organized manner : Japanese companies' efforts made to solve challenges, key points of success, and devised efforts in advancing collaborations and joint ventures, and these may also apply similarly to collaborations and joint ventures between Japanese companies.

- We hope this research will be helpful to readers in solving their business challenges and accelerating corporate growth.

- This research was prepared under a contract with the Japan Research Institute Limited, as part of a FY2023 project and based on discussions at the "The Study Group for Collaboration and Joint Venture Cases Between Japanese and Foreign Companies". It has also been prepared with the generous cooperation of the managers and persons in charge of the companies selected as case studies, as well as all concerned parties. We would like to take this opportunity to express our gratitude to all those involved.

Note: In this report, "M&A with Japan, etc." refers to investments in which the foreign company is the investing company and the Japanese company is the invested company, and is classified by type of investment as "merger," "acquisition," "business transfer," "capital participation," and "investment expansion. In addition, "Inbound M&A" refers to "mergers," "acquisitions," and "business transfers" among "Inbound M&A, etc." (see page 6 for the definition of "merger" etc.).

Key Points for Case Studies

- Most of Japanese companies that have collaborated with foreign companies did so, because they experienced a sense of crisis that they could not solve by themselves their business objectives such as generating sustainable growth and overseas expansions. **These companies have chosen to partner with a foreign company that shared common management policies and philosophy and could complement their management resources.**
- For successful collaborations, it is important to **clarify the purpose and goals of the collaborations and joint ventures** in the light of the strengths and weaknesses of the company, and then **carefully communicate within the company and with the foreign partners in collaborations or joint ventures** to deepen mutual understandings relating to any differences in corporate cultures and business practices.

Background and Sense of Issues

- Achieving sustainable and dramatic growth by incorporating new management expertise
- Creating innovations and new business models by leveraging foreign companies' technologies, among others
- Expanding and developing the business globally by leveraging foreign companies' sales networks, among others
- Incorporating foreign companies’ approaches for human resource development and management methods into their company system
- Engaging in the DX activities and providing more advanced services

Benefits･Significance

- Management (Creation of new business models and innovations, strengthening of management base)
- Operations (strengthening of sales and marketing capabilities, expansion of capacity for production and development, and improvement on productivity)
- Employees (human resources development and retention, improvement of working environments and conditions)

Establishing Contact with Foreign Companies

- Initial approaches from foreign companies
- Initial approaches from Japanese companies
- Networking events through industry associations, consulting firms, and investment banks, among others

Key Points for Success

- Establishing clear objectives and goals for collaborations and joint ventures
- Identifying and communicating your company's strengths and weaknesses
- Establishing mechanisms that enable close communication
- Taking time to discuss even after the start of collaboration

Difficulties related to Collaborations

- Explaining within the company about collaborations and joint ventures
- Responding to employees’ concerns and inquires
- Responding to differences in corporate cultures and business practices

1. Overview of Collaborations and Joint Ventures Between Japanese and Foreign Companies in Japan

1.1 Overview of Acquisitions, Business Transfers, and Capital Participation and Investment Expansion (OUT-IN) (By Investment Ratio)

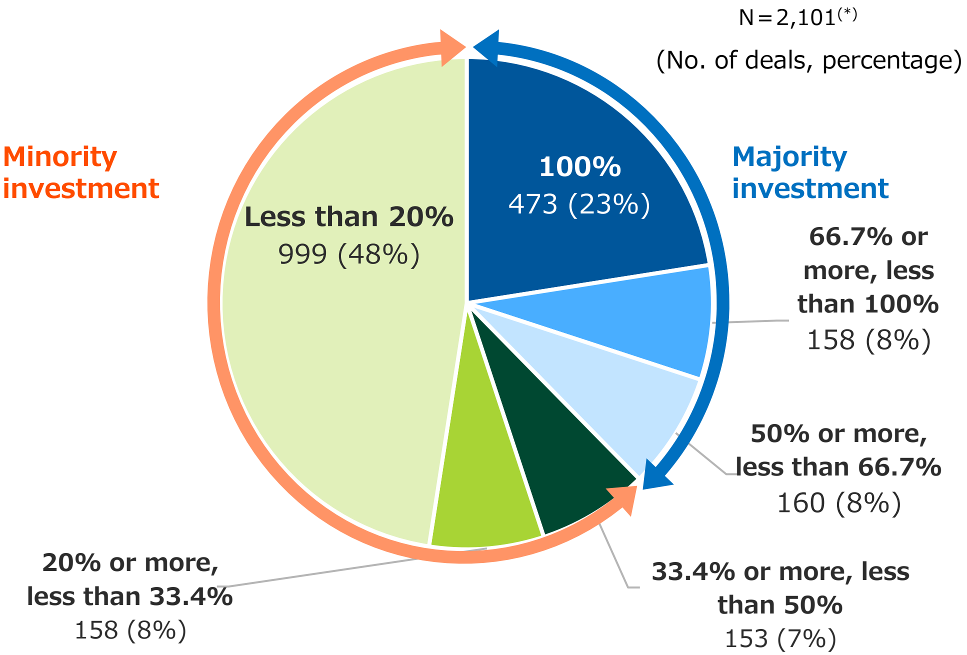
- The total number of M&A deals that Japanese companies have been involved in is 62,407 (total from 2000-2023).* Of these, the number of inbound M&A transactions (OUT-IN), in which foreign companies invest in a Japanese company, was 3,594 (for the same period noted above), making up 5.8% of the total number of deals
- Examining inbound M&A transactions by type of investment and ratio (excluding mergers), "acquisitions" and "business transfers" (majority investment: foreign capital ratio of over 50%) accounted for approximately 38% of all inbound M&A transactions, while "capital participation" and "investment expansion" (minority investment: foreign capital ratio of 50% or less) accounted for approximately 62%
- In this research, collaboration cases have been classified and organized into three patterns: ① acceptance of majority investment in the Investee Company, ② acceptance of minority investment in the Investee Company, and ③ acceptance of investment in a subsidiary or the establishment of a joint venture through joint investment (see page 17). Based on this, this research introduces primarily examples of ② minority investments and ③joint investments, while also including case studies where the synergies of collaboration were demonstrated in ① majority investment deals in which a foreign company invests in a Japanese SME or company with regional locations

* Deals are categorized into domestic M&A (IN-IN), outbound M&A (IN-OUT) and inbound M&A (OUT-IN) based on the nationality of the investor company and investee company

Type of investment of inbound M&A transactions, etc. and overview

Type of investment	Overview (from RECOF M&A database)
Merger	• When two or more companies become a single company under a merger agreement. A merger (share transfer/creation of a holding company) is the process of creating a joint holding company through a share transfer and integrating the companies
Acquisition	• Acquisition of more than 50% of shares. This includes cases of 50% or less of share acquisition, if management is controlled. These can also include underwriting new capital, acquiring from existing shareholders, exchanging shares, and granting shares • In the case of a company divesture where the divesting company becomes the parent company of a successor company, or when a merger results in the parent company of a consolidated company becoming the parent company of a surviving company, these may also be considered as acquisition
Business transfer	• The transfer of a "business" consisting of assets, employees, goodwill, etc. The integration of existing businesses between two companies may also be included • In principle, company divestures are classified as business transfers. However, this does not include cases where the successor company becomes a subsidiary
Capital participation	• Acquisition of 50% or less of shares. However, this does not include cases where the company becomes a subsidiary. Capital participation is implemented through underwriting of capital increases or acquisition of shares from existing shareholders. Limited to the first time of acquisition
Investment expansion	• The acquisition of additional shares of 50% or less by the party providing a capital participation. However, if the investor already owns more than 50% of the shares or if the company is a subsidiary, acquisition of additional shares is excluded from the category of acquisition or investment expansion

Inbound M&A transactions by type of investment and ratio (total for 2000-2023)



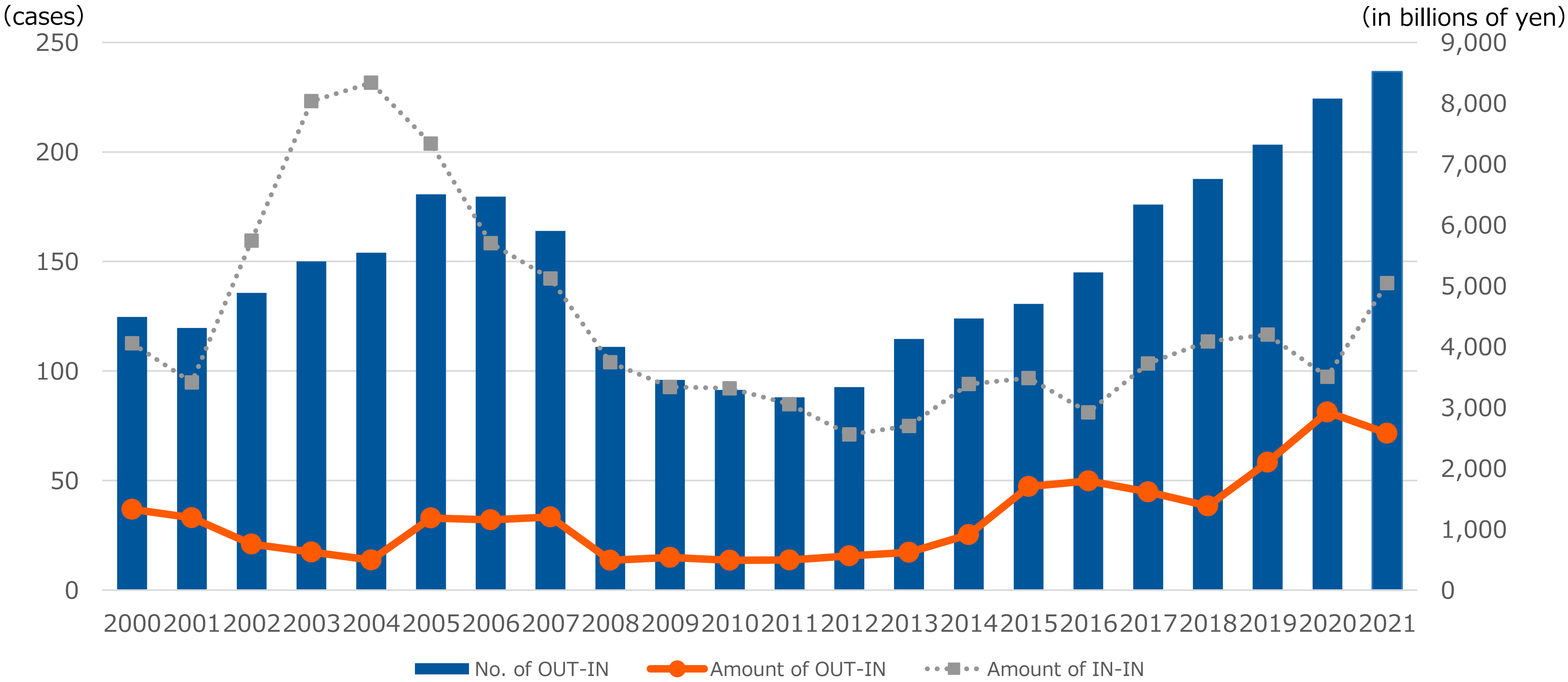
Source: Created based on the RECOF M&A database (Period between 2000/1/1-2023/12/31).The graph excludes the sale of overseas corporations of Japanese companies. The percentages are rounded off, so the total may not be 100%. (*) Calculated based on investment ratio after investment, excluding deals with an undisclosed investment ratio.)

1.2 Changes in Inbound M&A transactions, etc.

***Mergers, acquisitions, business transfers, capital participation, and investment expansion**

- The three-year moving average of Inbound M&As, among others, in Japan (OUT-IN) is approximately three times higher in the number and approximately five times higher in the value as compared to ten years ago, and the number is at the highest level in the past 20 years

Level of Inbound M&A, among others, in Japan (number and value (3-year moving average)) ＊1



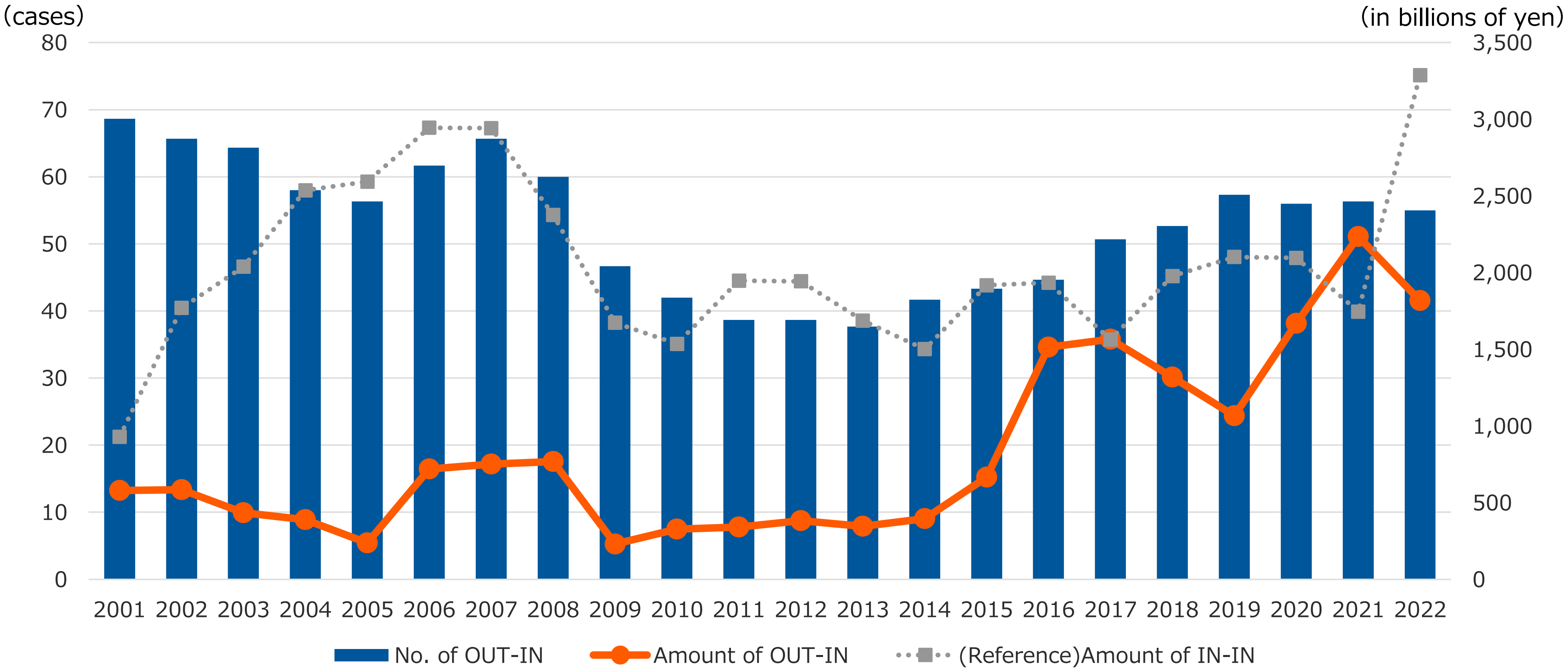
＊1 The average amount obtained by adding the amount of the previous and following years to the amount of the applicable year and dividing it by the number of three-years (Example: the value for 2021 is the average value for 2020-2022). The trend of the amount for each year is especially difficult to grasp depending on the occurrence of large deals, so a three-year moving average was used.

Source : Created from the RECOF M&A database (for OUT-IN, data excludes the sale of overseas corporations of Japanese companies. There are also some cases for which the amount has not been disclosed.)

1.3 Changes in Acquisitions and Business Transfers (OUT-IN)

- The number of Inbound M&A transactions, among others, Japan has generally remained flat, but the amount of Inbound M&A transactions with Japan has increased significantly since 2016, although it has fluctuated depending on the presence or absence of large deals

Changes in Inbound M&A transactions
(number and monetary amount (three-year moving average)) ＊1



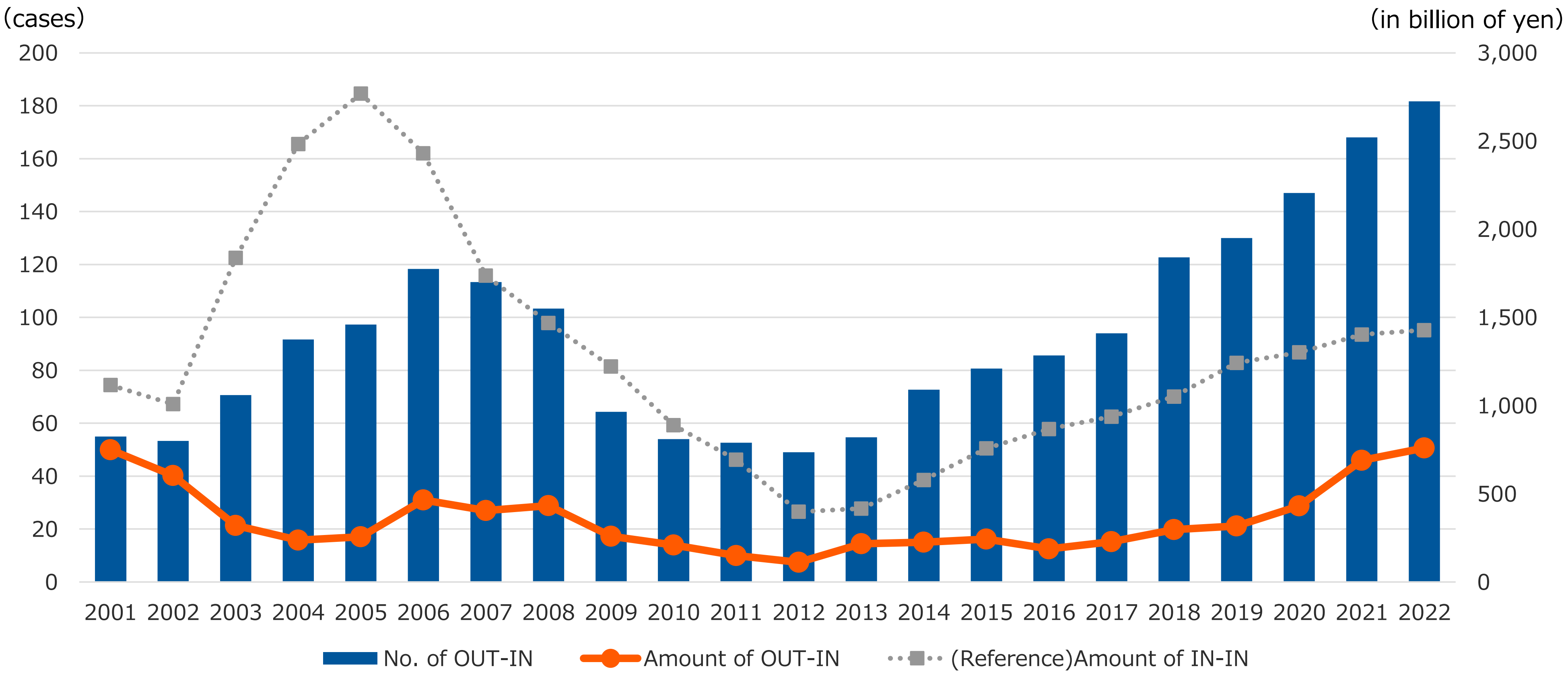
＊1 The average amount obtained by adding the amount of the previous and following years to the amount of the applicable year and dividing it by the number of three-years (Example: the value for 2021 is the average value for 2020-2022). The trend of the amount for each year is especially difficult to grasp depending on the occurrence of large deals, so a three-year moving average was used.

Source : Created from the RECOF M&A database (for OUT-IN, data excludes the sale of overseas corporations of Japanese companies. There are also some cases for which the amount has not been disclosed.)

1.4 Changes in Capital Participation and Investment Expansion (OUT-IN)

- The number and value of capital participation and investment expansion in Inbound M&A transactions, etc. have more than three times in the last ten-years

Changes in Capital participation and investment expansion (number and monetary amount(three-year moving average)) ＊1



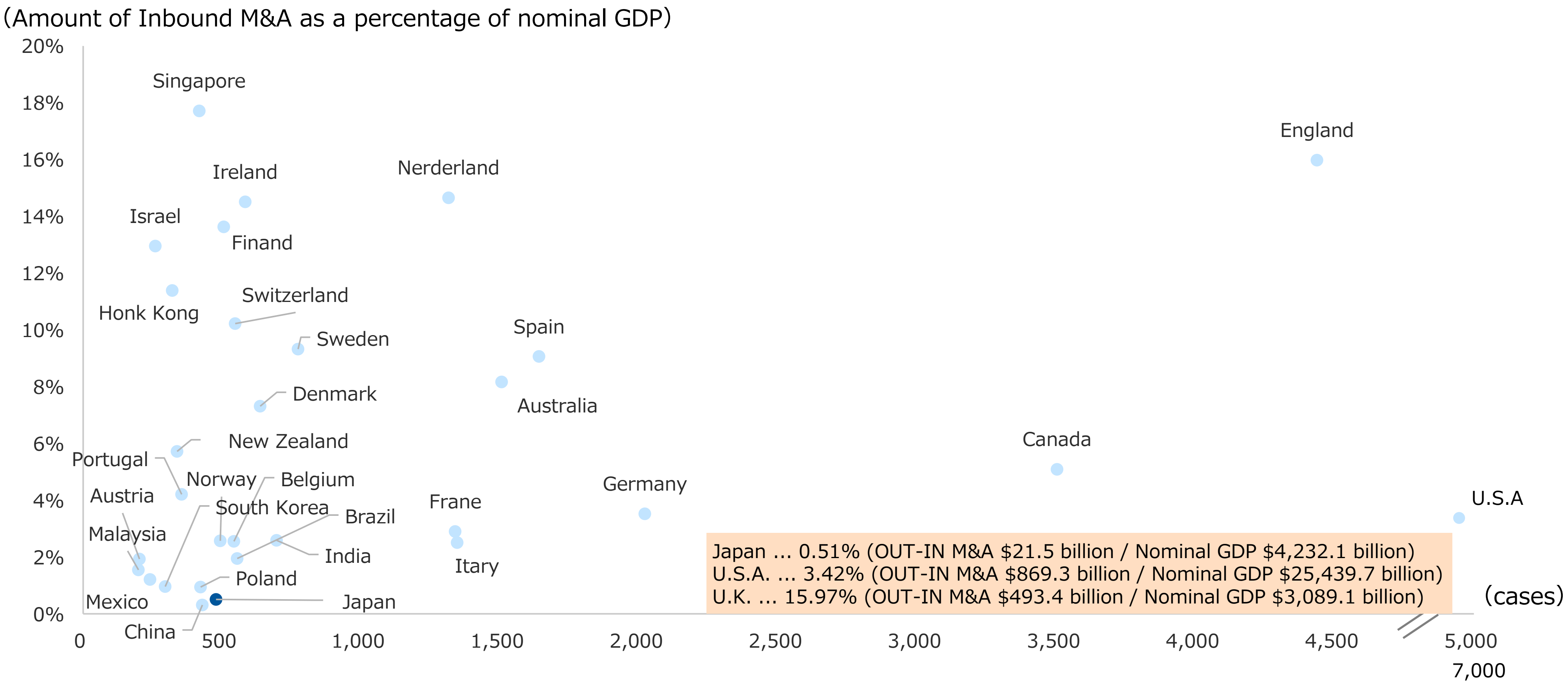
＊1 The average amount obtained by adding the amount of the previous and following years to the amount of the applicable year and dividing it by the number of three-years (Example: the value for 2021 is the average value for 2020-2022). The trend of the amount for each year is especially difficult to grasp depending on the occurrence of large deals, so a three-year moving average was used.

Source : Created from the RECOF M&A database (for OUT-IN, data excludes the sale of overseas corporations of Japanese companies. There are also some cases for which the amount has not been disclosed.)

1.5 Overview of Inbound M&A transactions in Each Country

- ■ The number of Inbound M&A transactions (total from 2018 to 2022) (478 cases) and the ratio of value (about 0.5%) to nominal GDP (2022) in Japan compared to inbound M&A transactions in other countries are small in both number and percentage
- ■ In particular, the percentage of monetary amount to nominal GDP in Japan is about 1/7th that of the U.S. and 1/33th that of the U.K.*

Changes in Inbound M&A transactions around the world
(Number and percentage of monetary amount to nominal GDP: Total from 2018 to 2022)



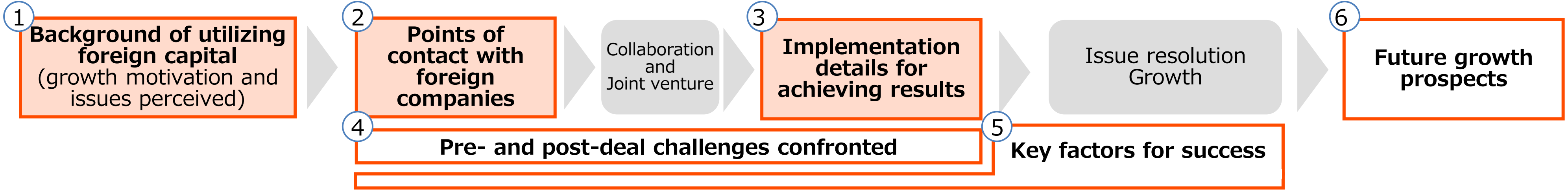
Japan ... 0.51% (OUT-IN M&A $21.5 billion / Nominal GDP $4,232.1 billion)
U.S.A. ... 3.42% (OUT-IN M&A $869.3 billion / Nominal GDP $25,439.7 billion)
U.K. ... 15.97% (OUT-IN M&A $493.4 billion / Nominal GDP $3,089.1 billion)

Source: compiled from UNCTAD World Investment Report (number and value of OUT-IN M&A, 2018-2022) and The WORLD BANK (nominal GDP (2022))

2. Key Points and Benefits for Collaborations and Joint Ventures Between Japanese and Foreign Companies

2.1 Key points identified in the Collaborations and Joint Ventures Between Japanese and Foreign Companies 1/2

- **The topics of interviews were organized on the key points of collaborations and joint ventures between Japanese and foreign companies in Japan as follows: ① the background of utilizing foreign capital (growth motivation and issues perceived); ② points of contact with foreign companies; ③ implementation details for achieving results; ④ pre- and post-deal challenges confronted (including M&A, minority investment and establishment of joint venture companies); ⑤ key factors for success; and ⑥ future growth prospects**


1 **Background of utilizing foreign capital** (growth motivation and issues perceived)

2 **Points of contact with foreign companies**

Collaboration and Joint venture

3 **Implementation details for achieving results**

Issue resolution Growth

6 **Future growth prospects**

4 **Pre- and post-deal challenges confronted**

5 **Key factors for success**

① Background of utilizing foreign capital (growth motivation and issues perceived)

- **The necessity of creating new businesses**
  - It is **necessary to create new business models and innovations in products and services** for the company's future growth, and to this end, companies hope to utilize the superior product technologies, global sales networks, etc. of its collaboration or joint venture partner
- **The necessity of improving the management of existing businesses**
  - Companies hope to leverage the operational reform methods, sales know-how, and excellent product technologies of their collaboration or joint venture partners in order **to make efforts to expand existing businesses to overseas, gain market share, and enhance product functionality**
  - Furthermore, **utilizing business DX and IT solutions for internal work are also considered**
- **The necessity of training and strengthening human resources and securing highly skilled professionals**
  - Companies hope to leverage the training programs and HR system know-how of their collaboration or joint venture partners, and the global professionals, etc. of joint venture partners in order **to make efforts to train and secure specialized personnel and IT personnel**

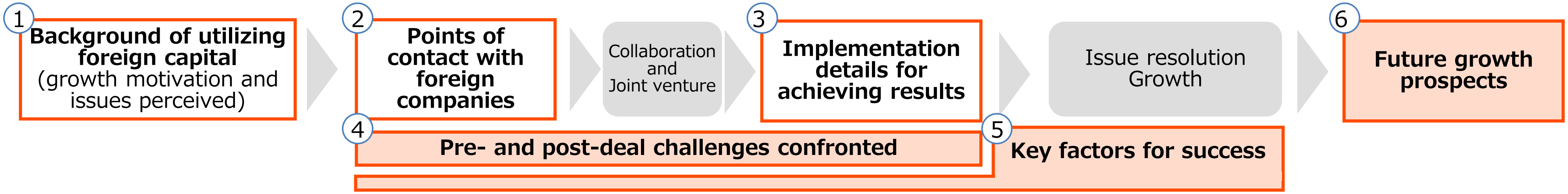
② Points of contact with foreign companies

- **Japanese companies approaching foreign business partners for investment (existing business partners)**
  - From among **the existing business partners**, companies that will be mutually complementary (create synergies) in areas of collaborations and joint ventures are identified.
  - It is also important for the company to **clarify its own strengths (core technologies, etc.)** when negotiating with global companies' headquarters
- **Japanese companies propose for investment**
  - Japanese companies approach foreign companies in the industrial sectors of countries that are more advanced and developed than the Japanese market, and **appeal to them by highlighting their company's business vision, the future prospects of the Japanese market, etc.** In general there are various ways of doing this, **such as attending conferences held by industry groups, investment banks, consulting firms, etc., tapping the networks of stakeholders, using matching platforms, and utilizing experts such as FAs**
- **Foreign companies propose for investment**
  - there seems to be some foreign companies that are searching for Japanese companies on a daily basis to approach them for, e.g., investment
  - When considering a collaboration or joint venture with the other company, it is important **for both parties to fully understand each other's objective, potential benefits, etc.**

③ Implementation details for achieving results

- **Utilization of product/service-related technology, marketing know-how, etc.**
  - **Obtaining product/service technologies and marketing know-how such as branding from a more advanced global market** can enable the creation of new businesses, strengthen existing businesses, and strengthen sales capacity in the global market
- **Incorporating business DX and know-how of IT-based operational reforms**
  - Improve productivity and profitability by **introducing global standards for the development and operation of IT systems and the know-how required to realize data-driven management**
  - In addition, **implementing quality control and business management that meets global standards** will lead to stronger corporate governance and greater efficiency
- **Reform of HR and training systems**
  - **While collaborating or operating a joint venture with a foreign company, implement HR evaluations, language study, and training programs such as advanced technology acquisition based on global standards**
  - It is also important to accumulate collaboration partner's and joint venture's know-hows and leverage these for further investment and transactions in the future

2.1 Key points identified in the Collaborations and Joint Ventures Between Japanese and Foreign Companies 2/2



④Pre- and post-deal challenges confronted

- **Internal explanations on collaboration and joint venture**
  - There is a certain amount of disagreement or opposition within companies regarding collaboration or joint venture with foreign companies. In addition to explaining **the future prospects of their own businesses and products, and the advantages (benefits) of the technologies, some companies also engage experts as needed and carry out thorough risk checks primarily for compliance and intellectual property rights of the foreign company** before providing a careful internal explanation
- **Explanations in response to uncertainty and doubts expressed by employees**
  - The acceptance of foreign capital causes some employees to feel confused and consider leaving the company. Some companies **implemented countermeasures such as detailed explanations of the company's future growth vision and the significance of the reforms through individual interviews, transitioning gradually, and offering retention bonuses**
- **Addressing differences in corporate culture and business practices**
  - In addition to the language difference, the time difference with the overseas headquarters, and differences in assumptions among engineers, there were also business challenges such as a lack of funds, delays in the arrival of equipment, and development delays
  - In spite of these difficulties, **some companies were able to build trustful relationships by ensuring transparency and sharing their views. In the case of joint ventures,** there was a case where prioritizing the interests of the joint venture were more valued rather than that of the parent companies

⑤ Key factors for success

- **Setting and aligning management targets and collaboration objectives (primarily for majority investment)**
  - A key factor leading to smooth decision-making and business execution requires whether **the two companies had compatible business policies, philosophies, and management targets**
- **Continuation of a win-win relationship**
  - In order for both companies to enjoy the benefits of collaboration, it is necessary that **they provide each other with the resources which the other may lack**
- **Clarification of roles and continuous business improvement (primarily for joint ventures)**
  - It is necessary **to clearly establish the roles of the joint venture company and then discuss measures for continuous business improvement.** In addition, upon establishing a joint venture company, it is also important to consider standards for decisions and decisions-making process in the event of a deadlock (including the investment ratio, clarification of areas of collaboration, internal responsibilities and authority, etc.).
  - In order to prevent conflicts of interest between the Japanese and foreign companies that are investing in the joint venture together, efforts need to be made to promote close **communication and personnel exchanges**, such as by mutually dispatching directors to the other company and holding frequent meetings both in-person and virtually

⑥ Future growth prospects

- **Penetration of the domestic market**
  - Companies aim to expand their share of the domestic market by improving and **expanding the scale of products and services in their existing businesses and by promoting the development of new businesses**
  - Companies continue **to communicate closely with their collaboration and joint venture partners** and further deepen relationships
- **Development of overseas markets**
  - Companies aim to provide their own products and services (including based on product improvements) **to overseas markets by utilizing the sales channels and product/service technologies of foreign companies**
  - **Based on the cooperation of collaboration partners and joint venture partners** in areas such as local market research, companies smoothly adapt their products and services to overseas markets
- **Development and utilization of high-level and DX human resources**
  - Companies promote **the utilization of data and IT technologies for new and existing businesses** by sufficiently developing a training program for DX human resources
  - Also, companies expand business scale and aim to expand overseas business by **implementing development efforts for specialized personnel and global professionals in the applicable industries and fields** based on the cooperation of collaboration partners and joint venture partners

2.2 Overview of Objectives and Benefits for Collaborations and Joint Ventures Between Japanese and Foreign Companies (Summary)

- The main benefits of collaborations and joint ventures between Japanese and foreign companies can be broadly classified into management, operations, and employees, which have been observed to pertain to common benefits under the multiple cases

Management

Creating new business models and innovations

- Achieved creating new products, new services, and innovations through collaborations and joint ventures with foreign companies that possess unique products, services, technologies, and business models that Japanese companies do not have.
- Contributed to the development of new business fields and technologies that were previously unreachable and the expansion of business portfolios through the creation of such new businesses and innovations

Strengthening management bases

- Achieved advanced business management by incorporating advanced know-hows and knowledges from foreign companies with respect to business management methods (management governance) such as KPI management and per-capita sales setting.
- Realized business reforms by introducing business know-hows and knowledges of system development and operation optimization held by the foreign partners in collaborations or joint ventures

Operations

Improvement of sales and marketing capabilities

- Contributed to the expansion of sales channels for products and services (including overseas expansion) by utilizing the sales channels and marketing methods of the foreign partners in collaborations or joint ventures.
- Also, strengthened the brand power of the products and services of the Japanese companies to enhance their bargaining powers against their business partners and their competitiveness.

Improvement of production and development capacity and productivity

- Achieved stable procurement of materials and expansion of business scale through collaborations and joint ventures with foreign companies that are expanding their business globally.
- Also, improved the quality of the Japanese companies’ own products and achieved lower production costs by incorporating the best practices of foreign companies with respect to manufacturing and quality control methods

Employees

Human Resource Development and Retention

- Developed and strengthened global human resources by promoting exchanges with global human resources from foreign companies and creating opportunities to gain business experience overseas.
- In addition, promoted the development of human resources who will handle digital transformation of business model by introducing the IT system utilization know-hows of the foreign partners in collaborations or joint ventures.

Improvement of working environments and conditions

- Improved employees’ motivation and performance by introducing a fair and transparent personnel evaluation system (including a compensation system that reflects employees’ performance).
- Also enhanced employees’ motivation through participation in overseas projects and interactions with foreign human resources.

2.3 Overview of Objectives and Benefits for Collaborations and Joint Ventures Between Japanese and Foreign Companies (Actual Voices/Opinions)

Management

Creating new business models and innovations

- **The extensive customer base of MUFG in the Japanese market and the high-quality and high-level expertise provided by US Morgan Stanley's products and services were mutually complementary, making it possible to provide an enhanced level of investment banking business that can respond to the financial needs of increasingly diversified customers** (Mitsubishi UFJ Morgan Stanley Securities / Securities / Joint venture)
- **Tokyo Gas utilized the digital platform and operations-related know-how of Octopus Energy in order** to further expand its business, for example expanding its service area outside the Tokyo metropolitan area. The joint venture launched a new brand and **achieved a nationwide roll-out of electricity sales focused on renewable energy** (TG Octopus Energy / Power / Joint venture)

Strengthening management bases

- The company established joint goals with Google pertaining to technology support and business support (joint business plan), and the **KPIs are discussed and reviewed annually** (PLAID / Software & information / Minority investment)
- Since the time of acceptance of the minority investment, the company has been able to receive **the knowledge possessed by Randstad, including the sales management** necessary for the temporary/part-time staffing business (Randstad / Services / Majority investment)

Operations

Improvement of sales and marketing capabilities

- **The L'Oréal Group established an overseas expansion team in preparation for rolling out the TAKAMI brand to the Chinese market.** Working with L'Oréal China made a smooth business roll-out in China possible, including responding to verifications and regulations that are unique to the Chinese cosmetics market (L'Oréal (TAKAMI) / Chemicals / Majority investment)
- At the time of acceptance of investment from Salesforce, **the introduction of customers from Salesforce through the collaboration was extremely beneficial** (UPWARD / Software & information / Minority investment)
- The company entered into a partnership for the purpose of providing funds needed for marketing with a view to establishing a new brand. **The objectives for colloboration also include procurement, sales, marketing, and branding support in the form of venture capital from Diageo** (KOMASA JYOZO / Food products / Joint venture)

Improvement of production and development capacity and productivity

- **By acquiring VSC（voltage source converter) HVDC technology (high voltage direct current transmission technology)**, which has the world's best track record of implementation, Hitachi became able to utilize cutting-edge technology and abundant HVDC implementation know-how to continue to lead the way in decarbonization in Japan and around the world (Hitachi Energy / Electric Power and Gas / Joint Venture)
- After receiving support from Google**, the company leveraged the AI technology on the Google Cloud Platform to improve the functionality of their own products, and the company most recently successfully launched a service for the optimization of ad delivery** (PLAID / Software & Information / Minority investment)

Employees

Human Resource Development and Retention

- **The joint venture company introduced IBM's professional certification**, defining the skills required for project managers and technical specialists. The training has started from 2022 with the aim of all employees being certified by the end of 2024 (I&J Digital Innovation / Software & Information / Joint venture)
- In addition to support for KDDI's data analysis project, Accenture has **supported** ARISE analytics with the planning of 'KDDI DX University' which develops KDDI's DX human resources, and contributed to some of the lectures. Through such initiatives, **efforts were accelerated related to data utilization at KDDI** (ARISE analytics / Software & Information / Joint venture)

Improvement of working environments and conditions

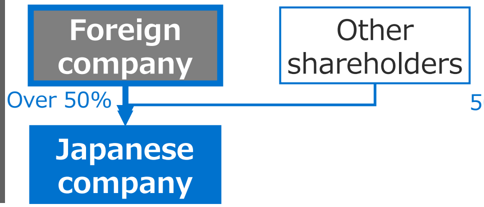
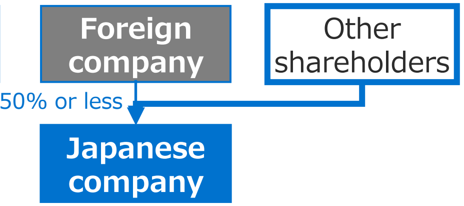
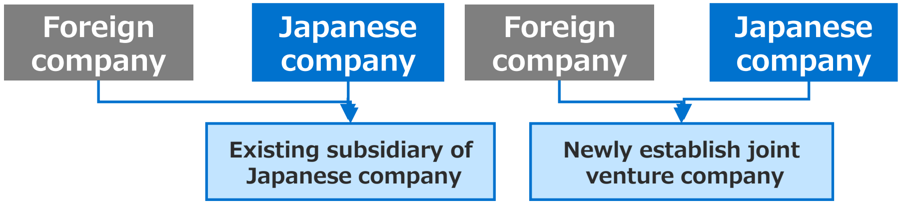
- The company adopted Randstad's HR evaluation process, **under which employees discuss with their supervisors about their career plan for utilizing the employees' potential.** A nine quadrant evaluation looking at potential (three stages) and performance (three stages) is conducted annually, followed by an interview (Randstad / Service / Majority investment)
- In the investment banking business, the joint venture company referred to Morgan Stanley's HR system **to make improvements to the HR evaluation system including 360-degree evaluations and results-based evaluations** (Mitsubishi UFJ Morgan Stanley Securities / Securities / Joint venture)

3. Individual Cases

No.	Pattern	Japanese Company (Investee)	Page
1	majority investment	Fuji Staff Group	p.22,34-36
2		BRANDLIFT CO.,Ltd（Parent company of TAKAMI co., Ltd）	p.23,37-39
3	minority investment	UPWARD, Inc.	p.24,40-42
4		PLAID, Inc.	p.25,43-45
5	Joint investment	ARISE analytics, inc.	p.26,46-48
6		KOMASA KANOSUKE DISTILLERY CO.,LTD	p.27,49-51
7		JTB System Solution（Currently I&J Digital Innovation）	p.28,52-54
8		TG Octopus Energy Co., Ltd.	p.29,55-57
9		BASF TODA Battery Materials LLC.	p.30,58
10		Hitachi ABB HVDC Technologies Ltd. (currently Hitachi Energy Japan Ltd.)	p.31,59-61
11		Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	p.32,62-64

3.1 Investment Patterns in this Research

- **In this research, cases were organized into three patterns: Pattern A (acceptance of majority investment in the Investee Company), Pattern B (acceptance of minority investment in the Investee Company), and Pattern C (joint investment (turning a company into a joint venture)).***
- **In general, in the case of minority investment or joint venture, more independence of management and more autonomy of the company are preserved as compared to majority investment, which acquires the control of management. On the other hand, as compared to business alliances based on a contract alone where no capital is involved, these above methods make it easier to strengthen relations with foreign companies and obtain commitment there from, which can be expected to lead to the acquisition of management/technical know-hows and the creation of synergy effects**

Pattern	**Pattern A** **Acceptance of majority investment in the Investee Company**	**Pattern B** **Acceptance of minority investment in the Investee Company**	**Pattern C** **Joint investment (turning a company into a joint venture)**
Definition / scheme	■ **The pattern in which a Japanese company is the investee company and accepts investment from a foreign company (sale/investment ratio of over 50%)** 	■ **The pattern in which a Japanese company is the investee company and accepts investment from a foreign company (investment ratio of 50% or less)** 	■ **The pattern in which a Japanese company accepts a foreign company's investment in a subsidiary. Another typical example is when a Japanese company and a foreign company jointly invest in another company and establish a new joint venture company. Such cases are also included in this pattern.** 
Characteristics and trends	■ Since the decision-making authority will be held by the foreign company, in many cases **the foreign company will have management authority and autonomy, and will drive management**	■Since the decision-making authority will be held by the Japanese company, in many cases **the Japanese company have management authority and autonomy and drive management** ■The foreign company wlil hold **influence over management in accordance with its investment ratio as a shareholder**	■ In many cases **the Japanese company can operate to strengthen its business by gaining know-hows from the foreign company within a designated scope of business** ■ This pattern can **transition into various forms such as capital increase** by the foreign company **(staged investment) or dissolution in the event that mutual goals have been achieved** ■ Also, **in the case that a joint venture company is newly established, the joint venture company will be required to design the organization including the management structure and HR system, etc.**
Examples (note)	• Fuji Staff x Randstad • TAKAMI (Parent company: BRANDLIFT) x L'Oréal	• UPWARD x Salesforce • PLAID x Google	• KDDI x Accenture Japan • KOMASA JYOZO x Diageo • JTB x IBM Japan • Tokyo Gas x Octopus Energy • TODA KOGYO x BASF • Hitachi x ABB • Mitsubishi UFJ Financial Group x Morgan Stanley

* In this research, cases are categorized into the above three patterns for analytical convenience, but in general, collaborations (also include business alliances) (e.g., alliance agreements) in addition to transactions involving investment

(Note) Company names are abbreviated ("Co., Ltd." and such are omitted)

3.2 List of Collaboration and Joint Venture Case Studies

No.	Pattern	Japanese Company (Investee)					Foreign Company (Investor)		Shareholding Ratio
		Name (Investee)	Parent Company	Industry	Location	SME*	Name	Nationality	
①	A	Fuji Staff Group	−	Service	Tokyo		Randstad K.K.	Netherlands	（At first） 10% （Present） 100%
②	A	BRANDLIFT CO.,Ltd （Parent company of TAKAMI co., Ltd）	−	Chemicals	Tokyo	✓	L'Oréal（L'Oréal S.A.）	France	100%
③	B	UPWARD, Inc.	−	Soft and Information	Tokyo	✓	Salesforce.com, inc. （Currently Salesforce, Inc.）	United States of America	—
④	B	PLAID, Inc.	−	Soft and Information	Tokyo	✓	Google International LLC	United States of America	—
⑤	C	ARISE analytics, inc.	KDDI CORPORATION	Soft and Information	Tokyo		Accenture Japan Ltd	United States of America	KDDI 85% 15%
⑥	C	KOMASA KANOSUKE DISTILLERY CO.,LTD	KOMASA JYOZO CO., LTD.	Foods	Kagoshima	✓	Diageo plc	United Kingdom	—
⑦	C	JTB System Solution （Currently I&J Digital Innovation）	JTB Corp.	Soft and Information	Tokyo		IBM Japan	United States of America	IBM Japan 65% JTB 35%
⑧	C	TG Octopus Energy Co., Ltd.	Tokyo Gas Co., Ltd.	Other retail	Tokyo		Octopus Energy Group Limited	United Kingdom	Tokyo Gas 70% Octopus Energy 30%
⑨	C	BASF TODA Battery Materials LLC.	TODA KOGYO CORP.	Chemicals	Yamaguchi		BASF SE（BASF Japan Ltd.）	Germany	TODA KOGYO 34% BASF 66%
⑩	C	Hitachi ABB HVDC Technologies Ltd. (currently Hitachi Energy Japan Ltd.)	Hitachi, Ltd.	Electric Power and Gas	Tokyo		ABB Ltd	Switzerland	（At first） Hitachi 51% ABB 49% （Present） Hitachi 100%
⑪	C	Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	Mitsubishi UFJ Financial Group, Inc.	securities	Tokyo		Morgan Stanley	United States of America	Mitsubishi UFJ Financial Group 60% Morgan Stanley 40%

*Corporate size at the time of the investment, as categorized subject to the definitions under the Small and Medium-sized Enterprise Basic Act; provided however, the treatment thereof may depend on the types and the content of business or other corporate situation of an individual case

Pattern A : Acceptance of majority investment in the Investee Company
Pattern B : Acceptance of minority investment in the Investee Company
Pattern C : Joint Investment（turning a company into a joint venture）

3.3 Index : Search for Cases by Benefits

	Benefits	Major Cases	
Manegement	Creating new business models and innovations	UPWARD×Salesforce（p.24） Hitachi×ABB（p.31）	Tokyo Gas×Octopus Energy（p.29） Mitsubishi UFJ Financial Group x Morgan Stanley （p.32）
	Strengthening management bases	PLAID×Google（p.25） KOMASA JYOZO x Diageo （p.27）	KDDI x Accenture Japan（p.26） JTB×IBM Japan（p.28）
Operations	Improvement of sales and marketing capabilities	TAKAMI x L'Oréal（p.23） Hitachi×ABB（p.31）	UPWARD×Salesforce （p.24） Mitsubishi UFJ Financial Group x Morgan Stanley （p.32）
	Improvement of production and development capacity and productivity	Fuji Staff x Randstad（p.22） KOMASA JYOZO x Diageo（p.27）	TAKAMI x L'Oréal （p.23） Hitachi×ABB（p.31）
Employees	Human Resource Development and Retention	KDDI x Accenture Japan（p.26） JTB×IBM Japan（p.28）	KOMASA JYOZO x Diageo （p.27） Tokyo Gas×Octopus Energy （p.29）
	Improvement of working environments and conditions	Fuji Staff x Randstad（p.22） KDDI x Accenture Japan（p.26）	PLAID×Google（p.25） Mitsubishi UFJ Financial Group x Morgan Stanley （p.32）

3.4 Composition of Collaboration and Joint Venture Case Studies

- Pages of individual cases are consisted of the following eight items and four pages. Page 1 is a general overview (executive summary), page 2 and onwards are those covering details, such as pre- and post-deal circumstances, key points for successful collaborations, company's actual voices, and the visions for the future

No.	Items for case study introduction	Content	Page			
			Page 1 General overview	Page 2 Details 1	Page 3 Details 2	Page 4 Details 3
1	Overview	• Includes information outlining the deal, such as details of collaboration, investment ratio, composition of the board of directors of the investee company, details of each company's support, investor company name, investee company name, business description, sales figures, number of employees, scale of the companies, industry, and investment pattern	○			
2	Issues	• Includes information on the state of the business environments surrounding the foreign and Japanese companies, as well as the management challenges faced by each company		○		
3	Objectives	• Includes information such as how the Japanese company came to be in contact with the foreign company, and the purpose or deciding factors in selecting the foreign company to collaborate with		○		
4	Process of collaboration	• Includes information on the process, such as how the senior management and on-site employees of the foreign and Japanese companies made efforts to communicate		○		
5	Results	• Includes information such as changes in sales figures, no. of employees, etc., innovation, enhancements to management, improvements in employee engagement, etc.		○		
6	Key points for successful collaboration	• Includes key management and business factors that led to collaboration results, and key points regarding the distribution of responsibilities between the foreign and Japanese companies and the utilization of know-how, etc.			○	
7	Areas devised pre- and post-deal	• Includes the points of difficulty and cautionary points from the time of initial discussions on collaboration until now and the areas the companies devised leading to a successful collaboration, and reflecting in retrospect points			○	
8	Future vision, etc.	• Includes information on the investee company's attractive points, such as its mission, visions and products/services, etc., and outlook on the growth of collaboration with the foreign company				○

3.5 Executive Summary

①

Sale of Fuji Staff Group to Randstad K.K.
(Fuji Staff x Randstad, 2010)

Majority investment

Service

Fuji Staff Group, which operated temporary/part-time staffing businesses, received staged investment from Randstad Japan Corporation (the Japanese subsidiary of the Randstad Group at that time), which had operated general HR services businesses since 2008, and the sale to Randstad was consummated in 2010. In 2011, the corporate name was changed to Randstad K.K.(hereinafter "Ranstad"), and steeped in the corporate culture and know-how of Randstad. The company utilized the customer networks of both companies to diversify its business portfolio, achieving an increase in sales and the number of employees

Pre-Deal

① Issues

- Fuji Staff had rolled out a temporary/part-time staffing business primarily in the Kanto region, but it was relatively unknown **compared to the big players in the HR staffing industry. So the company had identified business expansion as one of its challenges**
- Randstad sensed the future prospects for Japan's recruiting market, therefore entered the Japanese market, but it **felt that there was a limit to the growth it could achieve on its own**

② Objectives

- From 2008, Randstad made a minority investment in Fuji Staff, and it was **planning to strengthen the partnership toward further growth. Randstad decided to acquire Fuji Staff in 2010**
- Both of Fuji Staff and Randstad aimed to create synergies **by utilizing Fuji Staff's network of customers in the Japanese market, along with Randstad's global recognition and business know-how**

Post-Deal

③ Process

- Prior to the merger, **a project team was formed** to reconcile opinions toward the collaboration with Randstad and **to discuss the creation of synergies**
- A smooth business consolidation was achieved through **the gradual instillation in Fuji Staff employees of Randstad's corporate culture, Key Goal Indicators (KGI), and sales management know-how**

④ Outcome

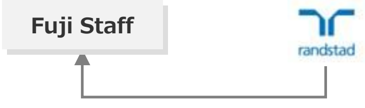
- By integrating the two companies' resources, sales and the number of employees roughly doubled in the **ten years following the merger.** The company also became possible to secure global skilled employees
- Further, the company became able to create new businesses such as a job change service for professionals and part-time service engineers, **achieving business portfolio expansion and diversification of risks**

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- The collaboration involved the provision of temporary/part-time staffing and recruitment services in Japan
- Randstad acquired a 10% share in Fuji Staff in 2008, and later increased its investment ratio to 20.4%. It made a tender offer in 2010, and the businesses were integrated in 2011
- The composition of the board of directors in 2010 at the time of the acquisition was 5 members from Fuji Staff and 2 from Randstad. Fuji Staff's management team remained as internal directors, while outside directors were accepted from the Randstad headquarters

Resources provided (e.g., support)

- Network in Japan
- Existing operations
- Human Resources



100% acquisition

Resources provided (e.g., support)

- A corporate brand in the global market
- Know-how of human resource services and professional/talent network

Board of Directors Composition

5 Fuji Staff members ○ ○ ○ ○ ○ ● ● **2 Randstad members**

Point

- **The deal started from a minority investment, and the company was able to absorb excellent know-how from Randstad**
  - After Randstad's investment made in 2008 in Fuji Staff, **Randstad's sales management, KGI management methodology, and other excellent know-how were absorbed by Fuji Staff,** confirming the benefits of the capital partnership. **Randstad was able to reduce resistance for the sale in order to realize the business consolidation**
- **Initiatives were executed to drive the merger at the operations level**
  - **A project team was formed to generate synergies and transfer know-how between Randstad and Fuji Staff.** By first digesting the business know-how possessed by Randstad at the project team and then conveying it to the front lines, Fuji Staff's business was able to proceed smoothly even after the sale to Randstad
- **Consideration for employee's concerns about the acquisition and business consolidation**
  - When the company was acquired in 2010, employee briefings were held to strongly emphasize the necessity of the acquisition and that their working conditions would not change after the merger. Retention bonuses were also offered to prevent the outflow of human resources

Outline of the deal
<Date of announcement> August 2010 <Scheme> Acquisition by Randstad of Fuji Staff <Transaction amount (investment amount)> Undisclosed
<Japanese company> Fuji Staff, Inc. (Tokyo) <Business> Temporary/part-time staffing <Sales> Undisclosed <No. of employees> Undisclosed <Capital> Undisclosed <Category> Large company
<Investor> (foreign company) Randstad K.K. (HQ: Randstad N.V.: the Netherlands) <Business> General HR services

② Sale of TAKAMI co., Ltd to L'Oréal S.A
(TAKAMI (Parent company: BRANDLIFT) x L'Oréal, 2020)

Majority investment

Chemical

After being acquired by L'Oréal, the skincare brand TAKAMI implemented a global sales strategy and strengthened its brand power, which resulted in increased sales. Through extensive dialogues between the two companies during the merger process, they have aimed to promote the overseas expansion of TAKAMI products, while maintaining the strengths of the TAKAMI sales model and brand

Pre-Deal

① Issues

- TAKAMI **was aiming to increase its presence in the cosmetics market, that was led by major companies**, but the company realized that there was a limit to how much growth it could achieve on its own
- **With view to expanding into the Chinese market**, L'Oreal was scouting Japanese cosmetics brands **with the aim at strengthening its Asian brands**

② Objectives

- L'Oreal was **impressed by TAKAMI's Direct to Customer (D2C) model (a mail-order model**) and approached the president of TAKAMI directly
- TAKAMI **was aiming to expand in the luxury cosmetics business** in the Japanese market, and while it received acquisition offers from other companies, it ended up accepting L'Oréal's proposal

Post-Deal

③ Process

- After the acquisition, **TAKAMI's former president remained in his position**, and TAKAMI's members and the new members who joined from L'Oréal **jointly envisioned the future of the brand**
- L'Oréal's corporate division took the lead in **consciously creating opportunities for human resources from both companies to interact**

④ Outcome

- **Sales channels have expanded,** including setting up pop-up stores in department stores, which would have been difficult for TAKAMI to do alone
- By joining L'Oréal, TAKAMI members' **emphasis on improving customer value became apparent**
- **TAKAMI (division) sales have quadrupled as compared to before the M&A**

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- Negotiations began in 2019. L'Oréal announced a 100% acquisition of TAKAMI co., Ltd. in December 2020, and the acquisition was completed in February 2021
- Following the acquisition, the production and sale of TAKAMI brand skincare products is handled by TAKAMI business dept.of L'Oréal Luxury Business Headquarters at Nihon L'Oréal

Resources provided (e.g., support)

- TAKAMI brand
- Know-how of D2C model

TAKAMI ← L'ORÉAL

100% acquisition

Resources provided (e.g., support)

- Sales channels
- Funds
- Overseas expansion support

Point

- **L'Oréal Group's commitment in growing the TAKAMI brand**
  - Upper management **at L'Oréal headquarters presented a consistent policy of not disregarding TAKAMI** as a startup company, and leveraging TAKAMI's advantages in the brand management
- **A brand strategy formulated consistent with TAKAMI's origins**
  - TAKAMI's business was placed under the umbrella of a department (the Luxury Business Headquarters) that emphasized two-way communication with customers, and **a strategy that was consistent with TAKAMI's origins was implemented even after the acquisition**
- **Close mutual cooperation to expand the TAKAMI brand globally**
  - By becoming a division of L'Oréal, TAKAMI was able **to fully utilize the business resources of L'Oréal to support its overseas expansion, including strengthening its brand and establishing a local research team**

Outline of the deal
<Date of announcement> December 2020 <Scheme> Acquisition (L'Oréal 100%) <Transaction amount (investment amount)> Undisclosed
<Japanese company> BRANDLIFT CO.,Ltd (Parent company of TAKAMI co., Ltd.: Tokyo) <Business Description> Production and sale of skincare products <Sales> Undisclosed
<No. of employees> Undisclosed <Capital> Undisclosed <Category> SME<Investor (foreign company)> L'Oréal S.A. (France)
<Business Description> Import, production, sale, and marketing of cosmetics

③ UPWARD, Inc. accepting a minority investment from Salesforce, Inc. (UPWARD x Salesforce, 2013)

Minority investment

Software/information

UPWARD, Inc., which provides cloud services for managing customer contact points and activities during external marketing and door-to-door sales, is a company formed by members who share the same mission of "innovating the last mile on the front lines." The company has received investment from Salesforce Ventures (Salesforce, Inc.'s CVC) and has expanded its business in collaboration with Salesforce, Inc. (hereinafter "Salesforce")

Pre-Deal

① Issues

- **UPWARD, Inc.** (**hereinafter "UPWARD"**) had been focused on contract development of geographic information systems (GIS), but anticipated a future prospect in **cloud computing and SaaS**
- Salesforce was looking to collaborate with an application partner to promote the use of CRM in order to expand its business

② Objectives

- UPWARD was attracted to Salesforce's SaaS business and entered into **a business alliance with Salesforce in 2011.** Later, in 2013, UPWARD accepted a minority investment with the aim at strengthening the alliance
- Salesforce expected **to strengthen the partnership "in the field of external marketing" by combining UPWARD's location information with a customer relationship management (CRM) system**

Post-Deal

③ Process

- **Upward has implemented the latest management methods,** such as setting quantitative management indicators (THE MODEL) for SaaS business advocated by Salesforce, thereby formulating a plan

④ Outcome

- **As UPWARD's business expanded, it hired more employees** and its rate of obtaining business ties gradually increased.
- **By transitioning to a business model utilizing SaaS based on the partnership with Salesforce**, UPWARD has become able to improve product updates and boost customer's product proficiency even after transaction

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- After entering into a business alliance with Salesforce in 2011, in 2013 UPWARD received investment of 30 million yen from Salesforce Ventures (minority investment, investment ratio undisclosed) and began a capital alliance partnership
- The collaboration mainly involved the development and sale of SaaS linked to the management system of Salesforce's customers
- There is no dispatch of director(s) from Salesforce in UPWARD. UPWARD takes the initiative in the management of the company

Resources provided (e.g., support)

- Provides CRM application leveraging location information

UPWARD ← **Salesforce**

A few %

Resources provided (e.g., support)

- Funds
- Sales functions
- Management methods

Board of Directors Composition

3 UPWARD members (including 1 outside director)

0 Salesforce members

Point

- **The company was able to clarify its own strengths by receiving investment from a global company**
  - ➢ **Providing the location information acquisition function** has led to increased use of CRM provided by Salesforce, and marketing this has been highly evaluated by Salesforce in the Japanese market
- **Collaboration was mainly sales related**
  - ➢ The collaboration was strengthened **by holding regular meetings** with Salesforce, **briefing Salesforce employees throughout Japan on the UPWARD product, and holding seminars, etc.**
  - ➢ In regard to future overseas business development, **since Salesforce products are already proliferating in Singapore and Salesforce has considered the scale of the market in Southeast Asia**, an office has been established in Singapore

* Regarding the UPWARD product: The product links to Salesforce and other CRMs (customer relationship management systems) to expand CRM functionality. The provided functions include simple reporting and map linkage of sales activities leveraging location information technology and mobile technology. This product enables consistently accumulating customer contact information in the CRM, turning it into an information asset, and realizing effective utilization. Source: UPWARD manual website

Outline of the deal
<Date of announcement> March 2013 <Scheme> Salesforce investment in UPWARD (Investment ratio: undisclosed) <Transaction amount> 30 million yen
<Japanese company> UPWARD, Inc. (Tokyo) <Business Description> Development and provision of UPWARD. a sales engagement service "UPWARD"<Sales> Undisclosed <No. of employees> 100 (as of May
<Capital> 100 million yen <Category> SME <Investor (foreign company)> Salesforce, Inc. <Business Description> Provision of cloud applications and cloud platforms

④ PLAID, Inc. accepting a minority investment from Google International LLC (PLAID x Google, 2019)

Minority investment

Software/information

PLAID, which provides ”KARTE”, a CX platform with strengths in customer data analysis, offers this product in a multi-cloud environment and also uses Google's cloud computing service (Google Cloud Platform (GCP)). Through the partnership with Google, which was triggered by the investment, PLAID has leveraged Google’s technological capabilities and global networks. The company aims to provide more value to customers and promote customer development by enhancing the analysis functions of its products and consulting services, and to expand its business overseas in the future

Pre-Deal

①Issues

- PLAID planned to **further enhance the functionality of its products and cultivate customers for its business growth, including the use of AI** technology that is not available in Japan
- Google planned to **expand the Japanese cloud market and supported the Japanese startup ecosystem** through collaboration with GCP users in Japan

②Objectives

- Google considered investing **in PLAID, which had developed unique products on GCP**
- Google **provided** PLAID with AI and other **technologies**, and PLAID started collaborations **on GCP to further enhance product functionality and customer development**

Post-Deal

③Process

- On the technical side, PLAID discussed with Google regarding **the development and implementation of technology utilizing Google products**
- On the sales side, PLAID discussed with Google regarding Google LLC’s and Google Cloud Japan LLC’s sales **cooperation with respect to each of PLAID's respective solutions**

④Outcome

- With sales cooperation and technical support from Google, **[KARTE]* was enhanced, new services were developed, and customer development was promoted. These contributed to an increase in sales**
- Also, PLAID collaborated with Google in consulting services to solve management issues such as business development and AI technology utilization for client companies

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- Collaboration has included technical development and customer development of PLAID's product offerings
- In 2019, Google invested in PLAID and began collaborations on technology and sales (investment ratio has been less than 5%)
- Google has not sent any director to PLAID, and PLAID has continued to manage the company independently

Resources provided

- GCP utilization know-how
- Solutions on GCP

PLAID ← Google

Undisclosed

Resources provided

- Funds
- AI and other technologies
- Customer contact points
- Global network

Board of Directors Composition

6 PLAID members **0 Google members**

Point

- **Providing products that are difficult for other companies to imitate**
  - ➢ Important to **maintain core technologies that other companies cannot develop, such as real-time analysis technology for user data, and to provide products whose technologies were difficult to imitate**, in order to be recognized by large global companies as a partner for investment and collaboration
- **Setting goals and managing progress to create synergies in collaboration**
  - ➢ PLAID and Google are in close communication with each other in terms of both technology and business in order to promote collaboration

*KARTE: A CX (customer experience) platform developed and provided by PLAID. It is strong in customer data analysis and visualizes the real-time behavior of people using websites and applications. PLAID is rolling out a variety of products based on customer data analyzed by KARTE to improve the customer experience at all points of contact.

Outline of the deal
<Date of announcement> November 2019 <Scheme> Issuance of preferred shares (Investment ratio: undisclosed) <Transaction amount> Undisclosed <Japanese company> PLAID, Inc. (Tokyo)
<Business Description> Development and provision of SaaS such as KARTE, a CX platform, and DX support for companies organizations, and municipalities through professional services, <Sales> 8.6 billion yen (FY ended September 2023)
<No. of employees> 341 (as of December 31, 2023)
<Capital> 2.9 billion yen <Category> SME (at time of investment) <Investor (foreign company)> Google International LLC <Business Description> Development and provision of services such as search engines, online advertising and cloud computing

⑤

Establishment of ARISE analytics, inc.

(KDDI x Accenture, 2017)

Joint venture

Software/information

KDDI CORPORATION established a joint venture with Accenture with the aim at using big data to improve services and create new data businesses, based on the mindset of "buying time" rather than relying on its own resources. This joint venture leverages Accenture's global track record, know-how, and extensive cutting-edge knowledge to realize data utilization for KDDI Group's DX human resources development and internal businesses

Pre-Deal

① Issues

- Although KDDI had possessed customer data (big data) from its various communication and non-communication businesses, it faced **challenges in utilizing the data and securing the necessary professionals to further improve the customer experience**

② Objectives

- KDDI had been receiving support for data utilization for some time, and it was considering **collaborating with Accenture, which had advanced knowledge in the data analysis field**
- KDDI and Accenture establish a joint venture for the purpose of outsourcing the analysis of data obtained through KDDI's various businesses

Post-Deal

③ Process

- A representative director was selected from KDDI and a director-and-CSO* was selected from Accenture

  (*Chief Science Officer)
- ARISE analytics was **expected to serve the role of promoting data utilization throughout KDDI,** and ARISE analytics (inside the KDDI Group) accumulated **Accenture's know-how**

④ Outcome

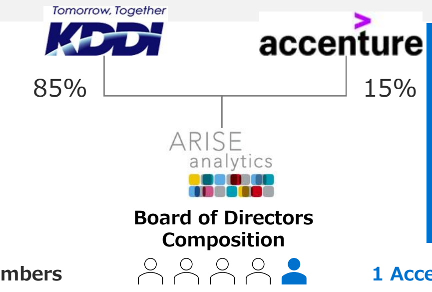
- Through ARISE analytics' efforts, **data utilization know-how was accumulated internally at KDDI, proliferating the utilization of data even for its existing services such as marketing**
- The number of employees at ARISE analytics grew from around 50 to approx. 500 (including temporary/part-time staff)

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- ARISE analytics was established on February 27, 2017 thriving on a team that was conducting analysis of smartphone services at KDDI
- The investment ratio has been KDDI 85% and Accenture 15%
- The collaboration involved supporting data-driven management that used data held by KDDI and creating new businesses that leveraged data

Resources provided (e.g., support)

- Human Resources
- Data analysis operations



Board of Directors Composition

4 KDDI members ○○○○● **1 Accenture member**

Resources provided (e.g., support)

- Data analysis human resources
- Data analysis know-how

Point

- **The management team has positioned the joint venture (ARISE analytics) as responsible for promoting data utilization throughout the KDDI Group as a whole**
  - ➢ The KDDI management team has positioned ARISE analytics as responsible for **promoting data utilization throughout the KDDI Group as a whole**. As a result, ARISE analytics had not simply become responsible for the KDDI Group's data utilization operations, but the **know-how and culture of data utilization were spread throughout the KDDI Group via ARISE analytics**
- **ARISE analytics has not been only involved in KDDI Group's data utilization operations, but also in the KDDI Group's DX human resources development**
  - ➢ **In order to transfer Accenture's data utilization know-how to KDDI**, ARISE analytics has become responsible not only for data utilization but also **for the development of DX human resources within KDDI**

Outline of the deal
<Date of announcement> March 2017 <Scheme> Joint venture company between KDDI and Accenture (KDDI 85%, Accenture 15%) <Transaction amount (investment amount)> 30 million yen
<Japanese company> KDDI CORPORATION (Tokyo) <Business Description> Telecommunications <Sales> 5.7 trillion yen (consolidated) <No. of employees> 49,659 <Capital> 141.9 billion yen <Category> Large company
<Investor (foreign company)> Accenture Japan Ltd <Business> Provision of broad services and solutions across five areas: "Strategy & Consulting", "Technology", "Operations", "Industry X", and "Accenture Song"

⑥ KOMASA KANOSUKE DISTILLERY accepting a minority investment from Diageo plc (KOMASA JYOZO x Diageo, 2021)

Joint venture

Food products

KOMASA JYOZO, a long-established shochu manufacturer in Kagoshima that was founded 140 years ago, accepted a minority investment from Diageo, a manufacturer and distributor of alcoholic beverages. Leveraging the HR and organizational structure know-how and financial strength of Diageo, in addition to the technology cultivated over many years at KOMASA JYOZO, the partnership has achieved an expansion in sales in Japan while taking on the challenge of the global whisky business. Going forward, KOMASA JYOZO aims to grow in the overseas market and secure global professionals

Pre-Deal

① Issues

- While KOMASA JYOZO was **aiming to expand its shochu sales overseas, overseas customers were not used to the custom of drinking shochu during a meal,** and sales did not expand as desired
- **In order to proliferate shochu as a more common drink around the globe, the KOMASA brewery planned to create a brand of Japanese whisky, as Japanese whisky has gained reputation** in the world. KOMASA aimed to manufacture distilled spirits that could be accepted globally

② Objectives

- Two years after the company began producing whisky, **a VC from Diageo visited the distillery** and approached them about a collaboration, which led to the start of negotiations
- The two companies have begun collaborating to provide **funding and strengthen human resources and organizational structures** to strengthen whisky production and marketing/sales functions

Post-Deal

③ Process

- The company adjusted the content of collaboration by utilizing **FAs, lawyers, and other external experts**
- Diageo is only involved through the participation of its directors on the board of directors, and operations are in general handled by KOMASA KANOSUKE DISTILLERY
- The company strengthened the organizational structure by **hiring global professionals with strong language skills and marketing abilities**

④ Outcome

- After starting the collaboration, the president himself expressed his desire to spread Japan's culture of brewing spirits overseas, and **the company was able to successfully secure about 10 global professionals**
- The collaboration also led to the development of **new products**, such as Diageo selling **a collaborative product** made from KOMASA KANOSUKE DISTILLERY whisky barrels

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- KOMASA KANOSUKE DISTILLERY, a Kagoshima-based whisky manufacturing company, was established in August 2021
- The collaboration involved the manufacture, marketing, and sale of whisky
- Diageo acquired a minority share of KOMASA KANOSUKE DISTILLERY shares. There are 2 directors from KOMASA JYOZO and 1 director from Diageo. KOMASA JYOZO directs the management of the business

Resources provided (e.g., support)

- KANOSUKE brand whisky products and barrels

Board of Directors Composition

2 KOMASA JYOZO members **1 Diageo member**

Resources provided (e.g., support)

- Provided funding for product manufacturing
- Provided knowledge on whisky manufacturing and overseas markets

Point

- **It is important to select an appropriate partner who can respect the company's brand and traditions and aim for a global roll-out of products together**
  - ➢ The company was approached for collaboration by foreign companies other than Diageo, but the collaboration with Diageo was decided since **the company felt that Diageo would respect KOMASA JYOZO's brand, quality, and autonomy**. Both companies were able to share **an awareness of creating a brand together** over time on the basis of equal footing
- **A scheme that would be beneficial for KOMASA JYOZO as well as KOMASA KANOSUKE DISTILLERY was created**
  - ➢ By having KOMASA JYOZO consign the bottling of KOMASA KANOSUKE DISTILLERY's whisky and lease its warehouses and other buildings to KOMASA KANOSUKE DISTILLERY, **the whisky business was structured to also contribute to the sales of KOMASA JYOZO, making this a collaboration that benefits the group as a whole**

Outline of the deal
<Date of announcement> Aug. 2021 <Scheme> Diageo investment in existing subsidiary of KOMASA JYOZO (minority investment) <Transaction amount (investment amount)> Undisclosed
<Japanese company> KOMASA JYOZO CO., LTD. (Kagoshima) <Business Description > Manufacture and sale of authentic shochu, liqueur, whisky, and spirits <Sales> 2.6 billion yen (FY ended June 2022)
<No. of employees> 105 (as of Nov. 1, 2021) <Capital> 30 million yen
<Category> SME <Investor (foreign company)> Diageo plc (UK) <Business Description> Manufacture and sale of alcoholic beverages

⑦ JTB System Solution accepting an investment from IBM Japan, Ltd. (JTB x IBM Japan, 2021)

Joint venture

Software/information

JTB received an investment, IT functionality and know-how from IBM into its subsidiary JTB System Solution, forming a joint venture and changing its name to I&J Digital Innovation (hereinafter "IJDI")

Pre-Deal

① Issues

- **JTB** was aiming to further **promote DX and strengthen its IT human resources**
- **IBM Japan (hereinafter "IBM")** had a goal of proactively contributing to the digitalization of JTB

② Objectives

- JTB issued a Request for Information (RFI)
- IBM proposes **enterprise architecture proposal** along with measures to **strengthen IT planning functions and reduce costs**

Post-Deal

③ Process

- The company implemented a **Quality Assurance (QA) review process equivalent to IBM's**
- The company defined processes for identifying issues and solutions
- The company has held **one-on-one meetings (including those between the president and each employee) and roundtables at various levels**

④ Outcome

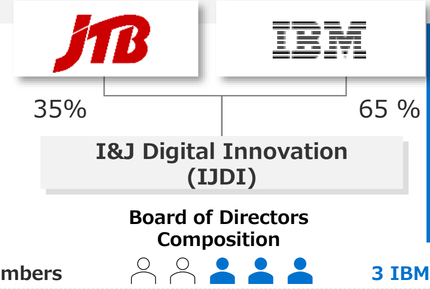
- **The company contributed to improved quality for system development, thus also contributing to a reduction of cost overrun risk**
- The company is currently introducing **automated tools** for system management
- The company is currently **developing IT human personnel** utilizing IBM's training programs

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- This collaboration involved system development, operation, and maintenance, as well as IT support, in the domestic and international IT service businesses of JTB and JTB Group companies
- The investment ratio is IBM 65% and JTB 35%
- The current composition of the board of directors is three members from IBM (of which one is part-time), and two members from JTB, and a shareholders council has been established

Resources provided (e.g., support)

- Existing IT system infrastructure
- Human Resources



2 JTB members

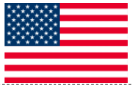
3 IBM members

Resources provided (e.g., support)

- Human Resources
- IT and management know-how

Point

- **Based on IBM's proposal, JTB formulated an enterprise architecture for the IT system**
  - ➢ Projects were prioritized and IT development proceeded
- **The collaboration contributed to enhanced quality of IT system development by implementing IBM standard processes. As a result, the collaboration also contributed to a reduction of cost overrun risk**
- **The company also adopted IBM's HR system (including IBM's professional certification), and clarified employees' desired careers before providing support such as training. This contributed to enhanced employee engagement and motivation**



Outline of the deal
<Date of announcement> April 2021 <Scheme> IBM Japan, Ltd. investment in a JTB Corp. subsidiary (JTB System Solution), and the latter's name is changed (IBM Japan 65%, JTB 35%) <Transaction amount (investment amount)> Undisclosed
<Japanese company> JTB System Solution (Tokyo) (currently I&J Digital Innovation (IJDI)) <Business Description> System development, operation, and maintenance, as well as IT support, in the domestic and international IT service businesses of JTB and JTB Group companies <Sales> 4.0 billion yen <No. of employees> 400 <Capital> 100 million yen <Investor (foreign company)> IBM Japan, Ltd. (United States) <Business Description> Provision of products and services related to information systems

⑧

Establishment of TG Octopus Energy Co., Ltd.
(Tokyo Gas x Octopus Energy 2021)

Joint venture

Other retail

Tokyo Gas Co., Ltd. established a joint venture company with Octopus Energy to expand electricity sales, mainly from renewable energy sources, in Japan. The joint venture company has expanded its sales area from the Tokyo metropolitan area to all of Japan, while leveraging digital technology to create a superior customer experience. Additionally, the company has achieved a reduction in operational costs and is promoting the development of DX human resources and corporate culture reform

Pre-Deal

①Issues

- While Tokyo Gas had achieved business expansion mainly in the Tokyo metropolitan area after entering the electric power retail industry, the company was aiming **for further business expansion including area expansion**
- As Tokyo Gas was aiming for DX in electricity retailing, it needed to build a system that was **scalable and flexible in terms of customer management systems, among others, and that could provide an even better customer experience**

②Objectives

- **Octopus Energy, an energy company with strengths in digital technology, had been attracting attention in the U.K.,** where the electricity retail market was liberalized before Japan
- Octopus Energy had strengths in **digital platforms that could centrally manage customer acquisition, contracts, and other customer management through the use of digital technology,** and Tokyo Gas aimed to implement an advanced system based on such strengths

Post-Deal

③Process

- Due to the differences in languages and corporate cultures between the two companies, **mutual understanding had to be deepened through discussions of each other's visions and objectives** for establishing a joint venture company, and thereby **a relationship of mutual trust was built**
- In addition, Octopus Energy's corporate brand and corporate culture were adopted in establishing the joint venture company, in order to develop it as a "new brand" for the Tokyo Gas Group

④Outcome

- Tokyo Gas developed a nation-wide electricity retail business centered on renewable energy, **by utilizing Octopus Energy's digital platform called "Kraken" and digital marketing methods**
- Tokyo Gas engineers have gained Octopus Energy's DX know-hows, and **digital human resource development and corporate culture change were promoted at Tokyo Gas**

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- The content of the collaboration focused on renewable energy-centered electricity retailing in Japan, utilizing the digital platform called "Kraken"
  * "Kraken" is a proprietary digital platform developed by Octopus Energy for the integrated management of customer communication and contract information, including inquiries, applications, and rate information. and contract information. Highly scalable and flexible, with the ability to change specifications in a short period of time, allowing for daily improvements
- Tokyo Gas owns 70% and Octopus Energy owns 30%
- 4 directors from Tokyo Gas and 2 directors from Octopus Energy

Resources provided

- Power procurement
- Customer development in Japan
- Knowledge of Japanese laws and regulations

Resources provided

- Digital platforms
- Technicians
- Business know-how

Board of Directors Composition

4 Tokyo Gas members 👤👤👤👤👤👤 **2 Octopus Energy members**

Point

- **Promoting mutual understanding by matching visions and the objectives for establishing a joint venture comp**
  - ➢ Before negotiating specific contract terms and conditions, repeated online dialogues were held on the visions that both parties were aiming for and what they wanted to achieve in the future. This helped to deepen **mutual understanding between the companies** even during the time of the Covid-19. And allowed them to **bridge differences in corporate cultures and cultural gaps, thereby a relationship of trust was built**
- **Tokyo Gas smoothly adopted the philosophy, business know-hows and systems of the British company that would be a partner in the joint venture**
  - ➢ Tokyo Gas actively adopted Octopus Energy's business know-hows and the "Kraken" system. In doing so, **Tokyo Gas localized the UK services and know-hows for the Japanese market, which greatly advanced business development and service sophistication**
- **Tokyo Gas implemented a speedy top-down decision making for DX promotion**
  - ➢ There were concerns about competition between Tokyo Gas' existing business and TG Octopus Energy's business, but **Tokyo Gas' management emphasized the benefits of business expansion through DX in electricity retailing and made the decision to establish the joint venture company**

Outline of the deal
<Date of announcement> December 2020 <Scheme> Tokyo Gas established a joint venture company with Octopus Energy (Tokyo Gas 70%, Octopus Energy 30%) <Transaction amount (investment amount)> 420 million yen
<Japanese company> Tokyo Gas Co., Ltd. (Tokyo) <Business Description> Production and sale of city gas and electricity, toll supply, overseas resource development and investment, real estate development, etc. <Sales> 3.3 trillion yen in FY ended March 2023 (consolidated) <No. of employees> 15,963 (consolidated)
<Capital> 141.8 billion yen <Category> Large company <Investor (foreign company)> Octopus Energy Group Limited (HQ: UK) <Business Description> Retail of electricity and gas, development of digital platforms, renewable energy generation, sale of EVs, heat-pumps, etc.

⑨

Establishment of BASF TODA Battery Materials

（TODA KOGYO CORP.× BASF 2015）

Joint Venture

chemical

BASF TODA Battery Materials was established with 66% equity from BASF Japan Ltd. and 34% from TODA KOGYO CORP. The joint venture will conduct research and development, production, marketing and sales for a broad range of cathode materials, particularly NCA (Nickel Cobalt Aluminum Oxide), LMO (Lithium Manganese Oxide) and NCM (Nickel Cobalt Manganese) in Japan. Internationally, the company will leverage BASF's global network and reach to drive growth in the battery materials market, which BASF has identified as a key growth field for the future.

Pre-Deal（~2015）*

- BASF TODA Battery Materials will operate as part of BASF's global Battery Materials business. It will benefit from BASF's position as the leading chemical supplier to the automotive industry as well as from TODA KOGYO CORP.'s marketing and technical capabilities and extensive know-how in the battery materials industry.
- 「Because the lithium-ion battery market continues to expand globally, we concluded that we need a strong alliance partner that would enable us to create more value than simple consolidation and to advance our cathode materials business synergistically.」（October 30, 2014 Tadashi Kubota, Chairman of TODA KOGYO CORP.）※
- Headquartered in Minato-ku, Tokyo, BASF TODA Battery Materials has production facilities in Sanyo-Onoda city, Yamaguchi Prefecture, and Kita-Kyushu city, Fukuoka Prefecture, Japan. It has a direct employee base of approximately 80, with annual combined production capacity for cathode active materials and their precursors of approximately 18,000 metric tons.

Details of collaboration･Investment Ratio*

- BASF TODA Battery Materials was established with 66% equity from BASF Japan Ltd. and 34% from TODA KOGYO CORP. The joint venture will conduct research and development, production, marketing and sales for a broad range of cathode materials, particularly NCA (Nickel Cobalt Aluminum Oxide), LMO (Lithium Manganese Oxide) and NCM (Nickel Cobalt Manganese) in Japan.

Pro-Deal（2022）**

- BASF and TODA to further expand their Japanese joint venture's capacity for high nickel cathode active materials.
- Expansion to increase the supply of high nickel cathode active materials for up to 45 GWh cell capacity per year
- Investment targets to meet growing market demand and strengthen the local supply chain in Japan（New capacity will start operation in second half of 2024）

Onoda site

expand the production capacity（2022）**

- Construction for the new capacity at the Onoda site will start in Q4 2022 and commercial production is planned for the second half of 2024.
- BTBM's annual capacity for high nickel cathode active materials (CAM) will achieve up to 60,000 tons by 2025.
- The new expansion project has been selected by the Ministry of Economy, Trade and Industry as a "Program for Promoting Investment in Japan to Strengthen Supply Chains" and has been granted subsidies.

- https://www.basf.com/jp/en/media/news-releases/global/2015/02/p-15-147.html ** https://www.basf.com/global/en/media/news-releases/2022/07/p-22-294.html
  ※ https://www.basf.com/jp/en/media/news-releases/global/2014/10/p-14-378.html

⑩ Establishment of Hitachi ABB HVDC Technologies Ltd. (currently integrated into Hitachi Energy Japan Ltd.)(Hitachi, Ltd. x ABB, 2014)

Joint Venture

Electric Power and Gas

Hitachi, Ltd. has established a joint venture with ABB to develop business in high-voltage direct current (HVDC) power transmission, a key technology for achieving carbon neutrality. After the collaboration, the joint venture company has leveraged ABB's global experience and cutting-edge technology to build a win-win relationship and achieved growth in the Japanese HVDC market. The collaboration developed into a partnership that led to the overseas expansion of Hitachi's power transmission and distribution business

Pre-Deal

①Issues

- In Japan, the **introduction of HVDC was expected to go into full swing** due to the expansion of renewable energy and the development of wide-area interconnection.
- **Hitachi Ltd.** had issues in **accumulating HVDC technologies and knowledge**, including voltage source converter-type HVDC , and **ABB had** issues in **entering into the Japanese market with its HDVC business**.

②Objectives

- Hitachi had considered **collaboration with ABB, which had a long history of HVDC research and extensive global experience**
- ABB was **attracted by Hitachi, Ltd.'s reliability, domestic bases and human resources**, and offered its HVDC and system engineering **technologies and know-how**.

Post-Deal

③Process

- CEO was appointed from Hitachi, Ltd. and COO was appointed from ABB. **Thorough explanations from** both parties **fostered understanding and trust among the relevant members of the parent companies**.
- Employees were seconded from both companies. **Training overseas and participation in overseas projects have increased the motivation of employees who were seconded from Hitachi.**

④Outcome

- **Sales of domestic HVDC business**, which were several hundred million yen before the establishment of the joint venture company, have grown **approximately ten times in eight years since the collaboration.**
- Hitachi aims to **continue leading the decarbonization in Japan and the world** by leveraging **cutting-edge HVDC technologies and** abundant HVDC **installation know-hows.**

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- Hitachi ABB HVDC Technologies, Ltd. was newly established. Currently, HVDC Techno is integrated into Hitachi Energy Japan Ltd. (a wholly owned subsidiary of Hitachi Energy (Headquarters: Switzerland)) following the acquisition and integration of ABB's power transmission and distribution division by Hitachi, Ltd.
- The collaboration covers all aspects of HVDC business in Japan.
- Hitachi owns 51% and ABB owns 49%. 2 directors has been dispatched from each of Hitachi, Ltd. and ABB, respectively to manage the business on an essentially equal footing.

Resources provided

- Knowledge of reliability and business practices in Japan
- -Domestic offices and personnel

Board of Directors Composition

Resources provided

- HVDC Achievements and Technologies

-System Engineering System engineering technology and know-how

2 Directors from Hitachi, Ltd. 👤👤👤👤 **2 Directors from ABB**

Point

- **Strategic collaboration to incorporate cutting-edge overseas technologies and deploy them in the domestic market**
  - ➢ **Expanding business** by incorporating advanced overseas technologies and know-hows through collaboration and **deploying them in the domestic HVDC market, which was expected to grow**
- **Building a relationship of trust between CEO and COO of the joint venture company and communication with the parent companies**
  - ➢ Maintaining **close communication with the parent companies, led by the CEO and COO,** and adopting a **management policy that enabled all three companies, including HVDC Techno as** well as the parent companies, to **benefit from the** joint venture company, thereby avoiding conflicts in management policy, maximizing profits, and building a relationship of trust. Because the collaboration involved bringing a foreign product to Japan, Hitachi **avoided any discrepancies in understanding of the particularities of the Japanese market** before the start of the collaboration.

Outline of the deal<Date of announcement> December 2014 <Scheme> Hitachi to establish a joint venture with ABB (ABB 49%, Hitachi 51%) <Transaction Amount (investment amount) > undisclosed<Business Description> Manufacturing and sales of electrical equipment, etc. <Sales> 10.9 trillion yen (consolidated, as of March 31, 2023) <Number of Employees> 322,525 (consolidated, as of March 31, 2023) <Capital> 462.8 billion yen <Classification> Large company<Investor (foreign company) > ABB Ltd (Switzerland)
<Business Description> Four segments: Electrification, Process Automation, Motion, and Robotics & Discrete Automation

⑪ Morgan Stanley and Mitsubishi UFJ Financial Group's Strategic Alliance and Mutual Investments in Securities Subsidiaries in Japan(Mitsubishi UFJ Financial Group x Morgan Stanley , 2010)

Joint venture

Securities

Mitsubishi UFJ Financial Group and Morgan Stanley (MS), an US firm, merged their Japanese securities businesses via mutual investments. Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. (hereinafter "MUMSS"; name changed from Mitsubishi UFJ Securities Co., Ltd.) and Morgan Stanley MUFG Securities Co., Ltd. (hereinafter "MSMS"; name changed from Morgan Stanley Securities Co., Ltd.) were launch to utilize global market knowledge and domestic reach in the Japanese market

Pre-Deal

① Issues

- Mitsubishi UFJ Financial Group (hereinafter "MUFG") was aiming to **strengthen its Japanese investment banking business and to capture cross-border deals in particular**
- US-based Morgan Stanley ("MS") was aiming **to raise its presence in Japan and capture more domestic deals**

② Objectives

- **This collaboration began** when MUFG **made an investment in MS** in 2008
- Expectations were that MUFG would provide **an extensive domestic customer base**, while MS would provide its **global network, high-quality products and services,** and expertise, and that this would create synergy effects

Post-Deal

③ Process

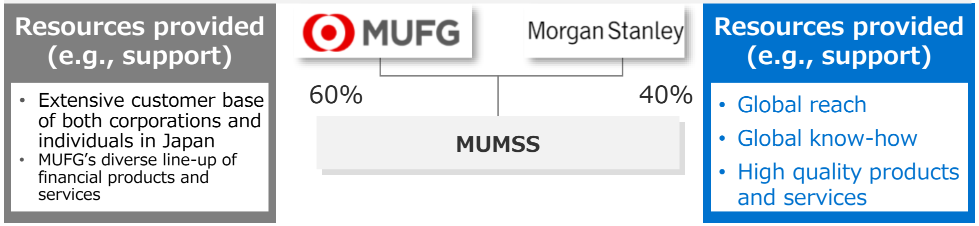
- Close collaboration was achieved including with the senior management at MUMSS and MSMS (regular discussions between senior management including the CEOs of both companies using a steering committee)
- **The company absorbing MS's advanced practices in the fields of investment banking, risk management, etc.**

④ Outcome

- The company aims for the growth of the investment banking business in Japan and overseas
- The company aims to shift and promote the business model of the wealth management business (comprehensive management service for personal assets)
- **The company ranked at No.2 in the net operating revenue in the Japanese securities industry**

Details of Collaboration, Investment Ratio, and Board of Directors Composition

- MUMSS provides investment banking, sales and marketing, research, and retail/middle market services (including wealth management)
- MUFG's share is 60% and MS's share is 40%
- Directors are appointed from both MUFG and MS



Resources provided (e.g., support)

- Extensive customer base of both corporations and individuals in Japan
- MUFG's diverse line-up of financial products and services

Resources provided (e.g., support)

- Global reach
- Global know-how
- High quality products and services

Point

- **The company built an appropriate monitoring structure based on cross-governance of the two shareholder companies**
- The company clarified authority enabled smooth decision-making, **while sharing directors from both companies allowed for proper monitoring of activities**
- **Compatibility between MUFG and MS corporate cultures has existed**
- **MUFG and MS have shared a common corporate culture, both of which placed emphasis on providing better services to customers from a long-term perspective**, and therefore had a high degree of affinity with each other
- **The company earned customer trust by responding to increasingly sophisticated and diverse financial needs**
- The company has gained the trust of its customers **by being able to provide services for both large cross-border deals and small- and medium-sized deals in Japan, while ensuring the quality of its human resources through the sharing of best practices**

3.6 Detailed Case Studies

①

Sale of Fuji Staff, Inc. to Randstad Group

(Fuji Staff x Randstad, 2010)

Majority investment

Service

①Issues

Fuji Staff faced a challenge in expanding its staffing business outside of the Kanto region. After entering the Japanese market, Randstad felt there was a limit to the growth it could achieve on its own

Fuji Staff

- ■Fuji Staff was a company that provided temporary/part-time staffing services to manufacturing and other companies throughout Japan, **but it had a strong local Kanto presence and was relatively unknown outside of the Kanto region**
- ■At the time, employment was declining, especially in the manufacturing industry, due to the effects of the 2008 financial crisis, and **the company recognized the need to improve their business operations and develop new business ventures**

Randstad

- ■Randstad was attracted by the Japanese staffing market and entered the market. Although the company aimed to grow through new businesses, it recognized that accumulating a track record is important in the staffing business, **and that it would be difficult to catch up with major Japanese companies alone**
- ■Therefore, **the company planned to collaborate with a Japanese company that had customer networks in the Japanese market**

②Objectives

This collaboration began when Randstad made an investment in Fuji Staff. The two companies merged, combining their resources with a plan for further growth

Around 2004

Randstad, which had been searching for a partner in Japan, had approached multiple temporary/part-time staffing companies, one of them being Fuji Staff. As both management teams exchanged information about staffing services in Japan and around the world, **they gradually built a sense of trust because the two companies shared similar corporate philosophies and management philosophies**

2008

Randstad made a 10% investment in Fuji Staff

2011

After Randstad made the 10% investment, Randstad continued to expand the investment while **transferring their know-how and corporate culture to Fuji Staff.** In order to build a structure that allowed for rapid decision-making and execution, and flexible response, and to achieve further growth in Japan, Randstad acquired Fuji Staff and the businesses were consolidated as a wholly owned subsidiary of Randstad

③ Process

The collaboration achieved a smooth business consolidation by forming a project team to transfer Randstad's culture and know-how to Fuji Staff

- ■Even before the business consolidation, **a project team was formed within Randstad** to realize synergies between the two companies and to transfer know-how and culture from Randstad to Fuji Staff
- ■After Randstad acquired Fuji Staff, Fuji Staff's management team remained in the company in principle and continued to operate **the company while making the use of Fuji Staff's corporate culture**

(Overview of the project team)

Period of operation	• Formed in 2006, active until after the business consolidation in 2012
Team members	• Approx. 10 members, including directors and general manager class employees from various fields including sales planning and HR
Topics of discussion	• How to leverage Randstad's global knowledge at Fuji Staff • How to maximize global transactions in Japan • How to explain about the acquisition to Fuji Staff's employees and encourage them to stay with the company

④Outcome

Through the creation of new businesses, both sales and number of employees approximately doubled in the ten years following the business consolidation of 2011

- ■**After the business consolidation, the company has been able to increase transactions with Japanese subsidiaries of global companies** by leveraging Randstad's global network. Expanding business nationwide, **sales have doubled in the 10 years since the merger**
- ■In addition, at the time of the acquisition in 2010, approximately 80% of Fuji Staff's sales were accounted for by temporary/part-time staffing services for the manufacturing industry and clerical staffing services. However, after the business consolidation, **the company developed new businesses such as a job change service for professionals and a temporary/part-time staffing service for engineers,** which also led to the expansion of its business portfolio
- ■**In terms of in-house recruitment** as well, **it became easier to secure specialists in areas such as marketing and IT, as well as global professionals,** which was previously difficult to do

①

Sale of Fuji Staff, Inc. to Randstad Group

(Fuji Staff x Randstad, 2010)

Majority investment

Service

Point

① Fuji Staff started by accepting minority investment and confirmed the benefits of collaborating with Randstad

- Randstad and Fuji Staff had been in communication at the management level regarding a capital alliance even prior to Randstad's investment, and confirmed the similarities in each other's management philosophies and corporate cultures. After that, Randstad invested 10%, which was then increased to 20.4%, and ultimately the company was integrated as a wholly owned subsidiary
- Once Fuji Staff accepted the minority investment, **it began incorporating Randstad's management philosophy and corporate culture among its employees and confirmed the benefits of the capital alliance.** The company ultimately accepted the acquisition proposal and successfully achieved growth as a subsidiary of Randstad

② The company executed initiatives to drive the merger at the operational level

- The smooth business consolidation was made possible by **forming a merger project team within Randstad to instill its management philosophy, corporate culture, and business know-how in Fuji Staff**
- For example, **the project team was led by human resources from each company on the front lines of sales to share business knowledge,** and this resulted in the significant dissemination of Randstad's business know-how in Japan, which was utilized to expand the business
- In addition, after the business consolidation, the company **adopted Randstad's HR system**, which included an "assignment system" which solicited applications from employees within the company for placement in other positions, a multifaceted employee evaluation system, and a system where managers supported employees' success, **all of which aimed to improve employee initiative and skills**

Points that were thought out pre- and post-deal

Pre-Deal

(Randstad (former Fuji Staff Group director)

Q: Were there any special considerations working towards the collaboration?

A: Although the management philosophies and corporate cultures of Randstad and Fuji Staff were similar, **Randstad was a foreign-affiliated company, so we took time to carefully integrate the management philosophies and corporate cultures**

Q: Were there any special considerations you took in terms of officers and employees?

A: In addition to holding information sessions for employees, **we made efforts to retain employees by paying retention bonuses to employees who remained with Randstad after the acquisition.** In particular, employee information sessions were held multiple times, **explaining the reasons why Randstad chose Fuji Staff as the acquisition target, its future vision, and the similarities in the two companies' corporate philosophies and ways of thinking.** In addition, retention bonuses were one of the programs adopted by Randstad, **which served as an incentive for employees to remain with the company**

Post-Deal

(Randstad (former Fuji Staff Group director)

Q: Were there any points that you devised while collaborating?

A: While Randstad instilled its management philosophy, corporate culture, and business know-how into Fuji Staff, it also made sure to **retain the good aspects of Fuji Staff's existing operations.** Randstad did not immediately ask for changes, but respected Fuji Staff's history

Q: How did the situation change as a result?

A: I think we were able to grow by taking advantage of Fuji Staff's existing network and **incorporating Randstad's business know-how and networks**

Q: Looking back on this collaboration, are there any points to learn from or areas you would like to improve on?

A: While some employees were reassured by the fact that the merger was carried out carefully and over a period of time, **the change may have felt slow to employees who had been hoping for big changes at Fuji Staff as a result of the acquisition.** It is important to quickly identify what needs to be changed and what needs do not be changed, and then respond appropriately

①

Sale of Fuji Staff, Inc. to Randstad Group

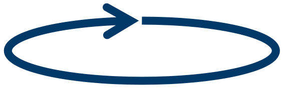
(Fuji Staff x Randstad, 2010)

Majority investment

Service

After the business consolidation Randstad has promoted efforts such as the recruitment of global professionals and reformation of the HR system, while also expanding business and rolling out new businesses. They accelerated HR system reforms to strengthen professionals, which are the source of corporate growth, and incorporated global best practices such as the idea of Diversity, Equity and Inclusion (DE&I)

New business expansion



Changes pertaining to human resources and HR system

エンジニア派遣
randstad technologies

Engineer dispatch service

- The company provides a dispatch job search service designated for engineers for various job types including system development
- Job seekers without engineering experience are provided with considerable training including support from expert lecturers and experience with actual machines
- The company aims to provide a space where job seekers looking to form new careers as engineers can participate, despite not having IT experience

randstad professionals
ハイクラス向け転職エージェント ランスタッド

High-level job change service

- The company provides a job change service which targeted job types requiring management, IT, finance, or other high-level know-how
- The company provides a job change consulting service which offers job seekers career plan proposals as well as advice and support for a successful career change
- In addition to job change services, the company also provides client companies with the high-level dispatch staffing services they require

Securing new professionals

- Leveraging Randstad's global reputation made it possible to **recruit global professionals and specialists in the fields of marketing and IT, enabling the company to develop new businesses such as high-level job-seeking services**

HR placement system with a high level of freedom

- When personnel are needed for branch manager positions or project members, **the company set up an "assignment system" that allows anyone to self-nominate during a set period of time as long as they meet the requirements**
- In particular, the company is committed to promoting the participation of women in the workplace, placing emphasis on applications from female employees during the recruitment periods and **creating an environment in which female employees are encouraged to actively self-nominate .** After recruitment, employees are evaluated fairly and assigned
- After creating this system, **employees have been more satisfied with HR placement and their performance improved**

Close dialogue with managers and multi-faceted employee evaluation

- Once per quarter, **the company holds a “Great Conversation” where managers and employees can discuss the career development, concerns, and the support that the employees need,** which helps the employees realize their full potential
- Once per year, **a "People Review" is conducted in which the manager evaluates employees based on their potential and performance,** and the results are shared with the HR department
- Highly evaluated employees are encouraged to proactively self-nominate for the assignment system

②

Sale of TAKAMI to L‘Oréal S.A

(TAKAMI (Parent company: Brandlift) x L'Oréal, 2020)

Majority investment

Chemical

①Issues

TAKAMI realized the limitations of operating a business by using only its own resources.L'Oréal was aiming to grow by strengthening its Asian brands

TAKAMI

- TAKAMI aimed to grow as a luxury brand, but cosmetics sales at department stores were lead by major brands. **TAKAMI found it difficult to grow its brand in the high-end market**
- There were **organizational structure issues with taking on the challenge of doing business under such an industry framework, including human resources and business expansion, and there was a limit to how much TAKAMI could increase their presence on its own.** The brand needed to be maintained and strengthened

L'ORÉAL

- Thus far L'Oréal’s growth had focused on European and American brands, but the **L'Oréal Group aimed to grow by strengthening its Asian brands**
- In particular, L'Oréal desired to strengthen their business in the Chinese market, and **Nihon L'Oréal's brand search team had been scouting promising brands**

②Objectives

TAKAMI received positive evaluation from L'Oréal about its D2C model (a model of selling directly to customers through subscription mail-order services), and accepted L'Oréal’s acquisition proposal with the expectation of further brand growth under the L'Oréal umbrella

- L'Oréal’s brand search team discovered the TAKAMI brand, which was popular on a review website, and **approached TAKAMI's president directly**
- **TAKAMI was aiming to expand its business in luxury cosmetics (department store cosmetics) in the Japanese market, and although there were other options such as acquisition proposals from other companies or an IPO, TAKAMI chose to sell the company to L'Oréal**

> "Initially, I never thought about selling the company. We also considered private equity funds as potential buyers, but since the goal was to “revolutionize distribution” through a subscription mail-order model in order to expand Japan’s strength of rolling out truly customer-centric models both domestically and internationally, we felt this would be difficult to achieve unless the buyer was a company in the business; therefore, we were attracted to L'Oréal, the world’s number one beauty company. Also, during the negotiation process, I really felt that we could develop the brand from a medium- to long-term perspective."
> (Former TAKAMI President)

③ Process

Employees from TAKAMI and L'Oréal have engaged in repeated dialogues to operate the brand in a united way

- **The former president of TAKAMI and existing employees continued to discuss brand strategy and organizational structure with the new members who joined from L'Oréal.** Although there were some differences in ideas regarding sales, etc., both companies made efforts to maintain and strengthen the TAKAMI brand
- **At the time of the acquisition, TAKAMI was left to its own discretion and continued to operate its organization in the same way as before.** After that, with the aim of ultimately integrating the two companies, L'Oréal took the lead in creating a space for L'Oréal and TAKAMI's employees to share information. **Nihon L'Oréal respected TAKAMI's brand culture while promoting understanding of L'Oréal culture and communicating with them thoroughly**

④Outcome

Following the M&A, sales based on the TAKAMI brand more than quadrupled compared to before the M&A thanks to the expansion of sales channels and a change in employees’ awareness

- **Leveraging L'Oréal's network with department stores,** the company expanded its **sales channels at department stores**, e.g., by opening pop-up stores at well-known department stores
- By having TAKAMI's human resources, primarily managers, come under the umbrella of an external organization like L'Oréal, they were able to realize the strength of the TAKAMI brand, which is its dedication to customers. **The company became proactive in creating services and brands that are valuable to customers**
- Through these **sales channel expansions and strengthened brand power**, TAKAMI achieved **“an increase in new customers” and “a decrease in the cancellation rate”**, and sales for the TAKAMI business grew more than quadrupled as compared to before the acquisition

②

Sale of TAKAMI to L‘Oréal S.A

(TAKAMI (Parent company: Brandlift) x L'Oréal, 2020)

Majority investment

Chemical

Point

①L'Oréal Group’s commitment to growing the TAKAMI brand

- **After the acquisition, L'Oréal cooperated with TAKAMI, the seller, on an equal footing to grow the TAKAMI brand**
- In order to maintain the unique value of this business, the CEO and executives of L'Oréal headquarters globally **communicated that, rather than trying to adapt the TAKAMI brand to L'Oréal, the company will take the correct approach to the Japanese market and then expand globally after gaining success in the Japanese market**
- **The former president of TAKAMI was also been appointed as a special advisor to Nihon L'Oréal, and became able to provide advice on TAKAMI's brand value and brand management**, thereby realizing the continued growth of the TAKAMI business in Japan

② Formulating a brand strategy consistent with TAKAMI’s origins

- TAKAMI joined the L'Oreal Luxury Business Headquarters, which placed the emphasis on dialogue with customers within Nihon L'Oréal
- **Former TAKAMI employees discussed the origins and future vision of the brand with L'Oréal to develop a business strategy that leveraged the advantages that the TAKAMI brand already possessed**

③ Close mutual cooperation to expand the TAKAMI brand globally

- Both L'Oréal Group and TAKAMI were aiming to enter the Chinese market, and **L'Oréal has formed a specialized team for overseas expansion**
- The company assigned personnel who specialized in the local market to assist with feasibility studies on **TAKAMI's subscription mail-order business model in China**

Points that were thought out pre- and post-deal

Pre-Deal

(Former president of TAKAMI)

Q: How did the M&A negotiations with L'Oréal proceed amid the Covid-19 pandemic?

A: Initially, our counterparts were Nihon L'Oréal Japan's M&A team and its president, and we communicated with them to understand their business model. In the actual negotiations, antitrust laws and other regulations came into play, so we negotiated with members of the Paris headquarters. **Due to the Covid-19 pandemic, the negotiations, including the signing of the contract, were conducted online with the cooperation of lawyers and securities companies**

Q: Were there any difficulties you faced during the negotiations?

A: The other party had multiple departments, and each department requested similar documents, and in addition to the large number of documents required, it was necessary to have a small team from the perspective of protecting information. As a result, negotiations were difficult and took about a year and a half

Post-Deal

(Former president of TAKAMI)

Q: Were there any points that you devised when collaborating with L'Oréal?

A: Since L'Oréal has strengths in global expansion, an international team was established to lead the formulation of global expansion strategies and we worked together to develop strategies. For efforts between L'Oréal and TAKAMI, rather than thinking about who was right or wrong, we valued the intentions of each party to combine the best of both sides to create the best possible solutions together, which led to a successful collaborative relationship

②

Sale of TAKAMI to L‘Oréal S.A

(TAKAMI (Parent company: Brandlift) x L'Oréal, 2020)

Majority investment

Chemical

TAKAMI has utilized L'Oréal’s resources with the aim at further growing the brand in Japan and overseas. L'Oréal has absorbed know-how regarding TAKAMI’s D2C brand, and has grown the group as a whole by rolling this out for its own brands as well

L’ORÉAL

(Resources and initiatives gained from TAKAMI)
- Learned TAKAMI's CRM (Customer Relationship Management) to gain the trust of customers and build continuous relationships, and absorbed how to set and measure KPIs
- Began offering subscription mail-order for other brands such as Lancome and Shu Uemura

(Future goals)
- Aiming for success in Japan's luxury cosmetics market
- Implementing universalization (L'Oréal's strategy of respecting regional differences while maintaining a common product concept) to aim for overseas expansion of Japanese brands

Collaborative efforts → **Vision**

TAKAMI

(Resources and initiatives gained from L'Oréal)
- New expansion into department store channels by leveraging L'Oréal’s connections
- Was able to obtain new professionals, skills, and cosmetics knowledge

(Future goals)
- Thorough KPI management keeping in mind not only sales but also the enhancement of brand value that will enable the building of long-term relationships with customers (Life Time Value, LTV)
- Accelerate the growth of the brand in Japan and the global market to realize growth for the L'Oréal Group as a whole

(Reference)

D2C model

- TAKAMI’s mail-order business mode is subscription based and sells products directly to customers. Based on the premise of a continual relationship with customers, a key point of this business is the enhancement of LTV through improved value of customer experience
- At TAKAMI, the effectiveness of initiatives is measured through AB tests and other marketing methodologies, and the company implements initiatives and manages KPIs from a customer’s perspective

TAKAMI skin peel

- TAKAMI's flagship product, an exfoliating lotion created with beautiful skin in mind. This product solves skin problems through care that aligns with the cycle of cell turnover
- As of the end-June 2023, this product has been purchased by approx. 2.03 million people, and has won 67 cosmetics awards (September 2014-June 2023)

Source: TAKAMI website

③ UPWARD, Inc. accepting a minority investment from Salesforce, Inc. (UPWARD x Salesforce, 2013)

Minority investment

Software/information

①Issues

UPWARD saw future potential in SaaS and cloud computing. Salesforce was seeking to ally with an application partner to expand business in Japan

UPWARD

- ■The company had been developing geographic information systems(GIS) under contract, but this was only offered to a limited number of companies as it required specialist skills to use
- ■The company saw potentials in **SaaS**, which allows the company to build ongoing relationships with customers to improve the value of its customer experience and generate revenue through additional features, and in **cloud computing, which allows the company to provide the latest services at low implementation costs**

Salesforce

- ■Salesforce aimed to expand its CRM business in Japan by providing a cloud-based CRM (customer relationship management) system
- ■**Salesforce was aiming to further promote the use of CRM by collaborating with application partners**

②Objectives

Through this collaboration, UPWARD, which had unique strengths in location information, was combined with Salesforce's CRM. This aligned the intentions of both parties and strengthened the relationship

- ■UPWARD had strengths in **the field of location information,** and by eliminating the "hassle of recording" for outside sales representatives, sales records could be recorded via mobile devices, which has led to the promotion of **the use of CRM provided by Salesforce**
- ■UPWARD has been a partner of Salesforce since 2011, and built a relationship with Salesforce by, e.g., attending an event hosted by Salesforce in 2012, and **Salesforce's investment in UPWARD was decided in 2013**

③ Process

UPWARD has set quantitative management indicators for SaaS business and formulates business plans

- ■**The company has implemented the latest management methods**, such as setting quantitative management indicators (THE MODEL) for SaaS business advocated by Salesforce, and formulated a plan
- ■In addition to communicating by **phone and chat**, the companies also have held **regular meetings to share information with each other**

④Outcome

As UPWARD's business expanded, the company hired more employees. The company improved product updates and customer proficiency to achieve high customer satisfaction

- ■UPWARD's selling points were its business expansion and its partnership with Salesforce, which led to an increase in recruitment. **The company has now become able to do its own sales beyond just introductions from Salesforce**
- ■The company was ranked #1 in the manufacturing industry category of Salesforce's BEST HIT APP RANKING 2022
- ■By transitioning to a business model utilizing SaaS based on the partnership with Salesforce, UPWARD was able to improve product updates and boost customer proficiency even after signing the investment contract, thus realizing high customer satisfaction

③ UPWARD, Inc. accepting a minority investment from Salesforce, Inc. (UPWARD x Salesforce, 2013)

Minority investment

Software/information

Point

① The company was able to clarify its own strengths by receiving investment

- In addition to the strong sales of UPWARD's application, having **its unique positioning as a location-based application vendor, that combines location information with CRM to provide sales support functions for outside salespeople,** led to the company to collaborate with Salesforce
- **In particular, the uniqueness of UPWARD's location information became a selling point**, and the company became the first location information application vendor in Japan to form a capital alliance with Salesforce

② Strengthening the partnership with a focus on sales collaboration

- Salesforce was trying to build a cloud ecosystem for enterprises, so after accepting the investment, **UPWARD received extensive support, including regular meetings, explanations of application vendors including UPWARD products to Salesforce employees in Japan, and seminars**
- For expanding overseas, **the company established a base in Singapore**, taking into consideration the fact that Salesforce products were widely used in Singapore, making test marketing possible

Points that were thought out pre- and post-deal

Pre-Deal

(UPWARD)

Q: Looking back at when you first started collaborating, are there any points that you devised?

A: At the time, most of our business was referred by Salesforce, so in order to be given priority when making deals, we needed to increase our recognition within Salesforce. Therefore, **all members** except for the engineers **took turns handing out flyers in front of the Salesforce building** to promote what they could achieve through collaboration

Source of underlined portions: FastGrow "Courageous enough to 'hand out flyers at Salesforce'--UPWARD's Kaneki shows the spine of a manager who makes people want to invest" (DNX Kurabayashi's Business Cave #01)

Post-Deal

(UPWARD)

Q: Were there any points that you devised on collaborating?

A: Through the alliance team, we explained the selling points of UPWARD to Salesforce employees in Japan, **which would lead to increased the use of the CRM provided by Salesforce**

③ UPWARD, Inc. accepting a minority investment from Salesforce, Inc. (UPWARD x Salesforce, 2013)

Minority investment

Software/information

While keeping its partnership with Salesforce at the core of its business, UPWARD aims to respond to multiplatform needs in Japan and expand business overseas primarily in Southeast Asia

Multiplatform compatibility

- As the number of companies offering cloud-based CRM systems increases, the company is promoting multiplatform compatibility to enable outside and door-to-door salespeople to devote their resources to creative work, with the vision of "creating a world where people can work comfortably anywhere”.
- Currently they are building relationships with multiple platform companies and discussing the direction of future business

Overseas expansion

- The company had aspired to expand overseas since the time of its establishment, and has developed products that were suitable for overseas markets from a technical standpoint
- Aiming to expand business in Southeast Asia, a market where future growth is expected, the company established a base for information collection in Singapore where APAC information could be collected without any time differences
- The company aims to expand business, while communicating with the Singapore offices of other CRM platformers such as Salesforce

(Reference) UPWARD’s brand philosophy

PURPOSE	**Inspiring upward creativity** Draw out the creativity of field workers to accelerate the growth of the company and the society
VISION	**Go smarter, anywhere** Create a world in which people can work comfortably from anywhere
MISSION	**Innovation of the last mile** Innovation of the last mile of the front lines

VALUES	**Commit to customer success** Our promise to customer success
	Always challenge, always day 1 Always be the one who takes on challenges, and always do so with a fresh mindset
	Be fair Always deal with everyone with a fair attitude

Source: UPWARD, Inc. website

④ PLAID, Inc. accepting a minority investment from Google International LLC(PLAID x Google, 2019)

Minority investment

Software/information

①Issues

PLAID needed to utilize AI technology to grow its business by enhancing the functionality of its own products, and Google was aiming to expand the cloud market in Japan through collaboration

PLAID

- To develop and operate KARTE, a CX (customer experience) platform, on Google's GCP
- PLAID was aiming to add more features to KARTE to attract more customers. To achieve this, the company was considering utilizing new technologies such as AI. This was difficult to achieve using only technologies in Japan

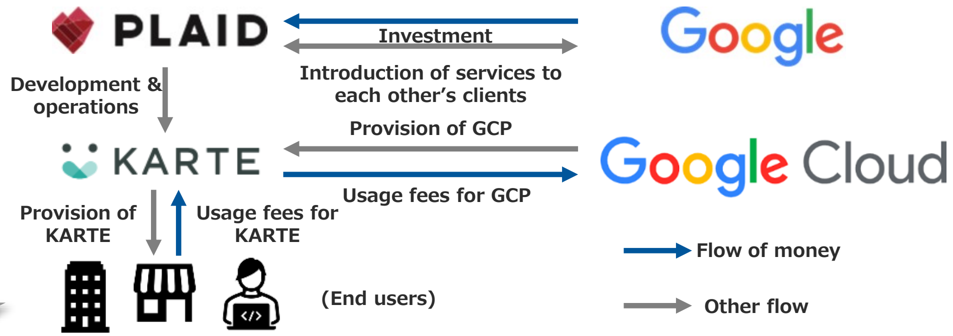
Google

- Google took notice of PLAID, which was providing a SaaS platform utilizing core technology making it possible to analyze customer behavior in real time on GCP
- Through collaboration with PLAID, Google aimed to expand the Japanese cloud market and support the Japanese startup ecosystem

②Objectives

Google took notice of PLAID's core technology and made a minority investment. In addition to introducing clients to each other's services, the two companies collaborated on efforts such as technical support for PLAID's product development

- Google invested in PLAID through a third-party allocation of new shares for the purposes of introducing and branding each other's products and services, and providing technical support for PLAID's product development



③ Process

The company discussed technical and sales aspects closely with Google HQ, Google Japan and Google Cloud Japan to accelerate product development and marketing

- PLAID and Google Japan established common goals for technology development and sales promotion
- PLAID accelerated product development and marketing by managing progress on a regular basis with Google HQ and Google Japan

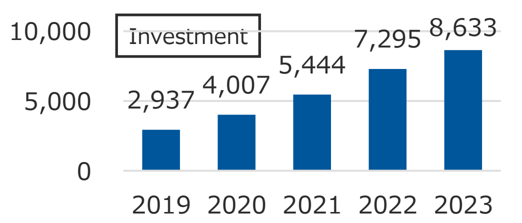
Field	Partner	Details of collaboration/discussion
Tech-nical	■ Google HQ	■ Development and implementation of projects utilizing new tech such as AI on the GCP
Sales	■ Google Japan ■ Google Cloud Japan	■ Selection of target companies ■ Joint sales and marketing to clients and progress management thereof

④Outcome

The company achieved increased sales for PLAID by strengthening KARTE functionality, developing new services, and promoting customer development. Two companies promoted collaboration for consulting services as well

- After the investment, Google's commitment increased and the company was introduced to US clients, and for technical support it also gained access to various Google products that were not generally available. For example, the company also leveraged technologies such as generative AI
- In addition, PLAID was aiming to effect changes in client companies by providing a combination of products and solutions, and deepened relationships by collaborating in the consulting field as well

Sales figures (Unit: 1M yen)



Source: Created based on the PLAID website

④ PLAID, Inc. accepting a minority investment from Google International LLC (PLAID x Google, 2019)

Minority investment

Software/information

Point

① PLAID provided solutions that were difficult for other companies to imitate

- PLAID has been recognized by Google **for its core technologies that were difficult for other companies to imitate, such as real-time analysis of users visiting websites and applications**
- **It is important to have a unique core technology** in order to be recognized as an investment and collaboration partner by global companies

② Setting goals and managing progress toward the creation of collaborative synergies

- **Thorough progress management based on shared goals between PLAID and Google was made**
- For example, when it comes to expanding product adoption, PLAID and Google **worked together to identify potential target customers and reviewed the progress of sales activities on a weekly basis**
- **PLAID is an organization that adopts industry-specific customer strategies and provides solutions tailored to the business challenges of each industry, and this similarity with Google** made the collaboration smooth

Points that were thought out pre- and post-deal

Pre-Deal

(PLAID)

Q: Were there any difficulties in particular when working towards the collaboration?

A: The investment agreement required tough negotiations which are more typical in the west. **On PLAID's part, we demanded what we needed to demand, and refused to compromise on what we could not compromise on.** In addition, we carefully considered the mutual benefits and significance of the collaboration, taking into account complementary and overlapping businesses

Post-Deal

(PLAID)

Q: Were there any points that you devised while collaborating?

A: We are trying to build a good relationship with Google by having multifaceted interactions with them. We set a company strategy and KPIs to achieve results. **Close communication is a key to mutually collaborate on business**

Q: Are there any specific initiatives that you implemented to facilitate close communication?

A: For example, in our everyday work, **we regularly discuss sales progress management and technical development.** Furthermore, **PLAID has been speaking at events hosted by Google Cloud,** where we introduce solutions developed using Google Cloud's features

④ PLAID, Inc. accepting a minority investment from Google International LLC(PLAID x Google, 2019)

Minority investment

Software/information

PLAID aims to deepen its collaboration with Google and continue to develop further solutions and expand overseas.

For Japanese IT companies, collaboration through investment from foreign companies can be an effective option for global expansion

Future vision for collaboration

■ **Acceleration of solutions due to Google's support**

➢ Google has provided the company with technical support in areas such as AI and **machine learning, and this support is being utilized in the Google Ads customer match integration feature of "KARTE Signals", which uses customer data to optimize ad delivery.** Developing such functionality would be difficult when using Japanese technology alone, so with the support of a global IT company like Google, **we were able to accelerate the development of solutions**

➢ We would like to continue to deepen our collaboration with Google and **promote the development of our own solutions, including "KARTE"**

■ **Expansion overseas in collaboration with Google**

➢ By having meetups and meetings arranged at overseas events hosted by Google, we have had the opportunity to exchange technical ideas with engineers from American technology companies and the data analytics team of a global cosmetics company.

➢ When introducing "KARTE" to overseas subsidiaries of global Japanese companies in the future, **we hope to leverage Google's globally recognized branding**

(PLAID)

Ideal collaboration between Japanese and foreign companies

■ **Foreign company support for Japanese IT companies' global expansion**

➢ Some IT vendors, including Google, have established Japanese subsidiaries, and **it is conceivable that such foreign companies will collaborate with Japanese companies to help the Japanese companies expand globally**

➢ We believe that this type of collaboration, where **foreign companies provide financial support in the form of minority investment, collaborate on the technical side, and also provide support for expanding overseas**, could be one option for Japanese IT companies upon looking to expand overseas

(PLAID)

* (Copied from previous page) KARTE: A CX (customer experience) platform developed and provided by PLAID. It is strong in customer data analysis and visualizes the real-time behavior of people using websites and applications. PLAID is rolling out a variety of products based on customer data analyzed by KARTE to improve the customer experience at all points of contact.

⑤

Establishment of ARISE analytics, inc.

(KDDI x Accenture, 2017)

Joint venture

Software/information

①Issues

Although KDDI had possessed customer data (big data) from its various communication and non-communication businesses, it faced challenges in utilizing the data and securing the necessary personnel to further improve the customer experience

KDDI's vision	■ KDDI was aiming to improve the value of customer experience by analyzing customer behavior and purchasing data obtained from the services it provided, identifying appropriate customer needs, and providing services at the optimal time ■ In this way, KDDI aimed to increase the rate of continued use of its services and to boost sales by creating new data businesses
KDDI's challenges	■ Acquisition of data utilization know-how in the KDDI Group ■ Securing professionals who were able to analyze data (the company was aware that recruiting and training human resources at the company would take a considerable time)

②Objectives

KDDI had been receiving support for data utilization for some time, and began collaborating with Accenture, which had know-how in both data science and consulting

- KDDI had been receiving support from Accenture in utilizing data in marketing its own services. Therefore, **it understood Accenture's capabilities and had already fostered a relationship of trust**
- Accenture had **the know-how in both data science and consulting necessary** for KDDI's data utilization goals
- KDDI anticipated that Accenture would be a valuable partner in supporting KDDI's digital transformation by taking full advantage of Accenture's deep knowledge and experience in the field of analytics which was cultivated both in Japan and overseas, as well as its world-leading technologies and methodologies
- Since **it takes time to recruit and train professionals from square one, KDDI "bought time"** by collaborating on a JV with Accenture

③ Process

ARISE analytics did not only remain a subsidiary, but was instead positioned as a company responsible for promoting data utilization across KDDI, thereby promoting collaboration

Promote data utilization throughout KDDI
Transfer data utilization know-how
Resolve business challenges through data utilization technology

ARISE analytics → Tomorrow, Together KDDI

- ARISE analytics has played a central role in developing and expanding KDDI's customer data and marketing infrastructure
- ARISE analytics' data utilization technology was used to solve KDDI's management challenges. For example, through preparing a curriculum for KDDI's DX human resources training program "KDDI DX University," data utilization know-how was transferred to KDDI
- ARISE analytics and KDDI's president regularly have monitored the progress of data utilization across KDDI

④Outcome

KDDI has accumulated know-how on data utilization, and data utilization has become widespread in the marketing of existing services. The number of employees also increased

- Through collaboration between ARISE analytics and KDDI in KDDI's business, a culture of analyzing and utilizing data has taken root (data-driven)
  - As compared to before the collaboration, the company has become now able to carry out statistical verification based on detailed data for prototyping services and promotions
  - The company also implements rapid business feasibility testing when launching new services
- ARISE analytics has increased its workforce from around 50 to roughly 500 employees, and is now hiring more than 10 new graduates each year for data analysis
- Also the collaboration realized training of DX human resources at KDDI
  - Clarification of job descriptions in KDDI's job-based HR system and provision of a training program
  - Development of data analysis human resources through KDDI DX University

⑤

Establishment of ARISE analytics, inc.

(KDDI x Accenture, 2017)

Joint venture

Software/information

Point

① The management team positioned the joint venture (ARISE analytics) as responsible for promoting data utilization throughout the entire KDDI Group

- **ARISE analytics has been expected to take a role in promoting data utilization throughout the KDDI Group,** so that ARISE analytics would not become a subsidiary to which the KDDI Group’s data utilization work is not simply delegated
- **By establishing a meeting body where ARISE analytics and the president of KDDI regularly and directly review the progress of data utilization across the KDDI Group,** ARISE analytics contributes to promoting data utilization across the KDDI Group

② ARISE analytics is not only involved in KDDI Group's data utilization operations, but also in the KDDI Group's DX human resources development

- As the company is expected to play a role in promoting data utilization throughout the KDDI Group, the parties will collaborate on **creating the curriculum for "KDDI DX University"**, which is the KDDI Group's DX human resources development program, and **on data utilization in KDDI's business**
- **ARISE analytics** contributed to KDDI with respect to **the development of DX human resources at KDDI and in-house data utilization by transferring and accumulating data utilization know-how**

Points that were thought out pre- and post-deal

Pre-Deal

(KDDI)

Q: Was there anything in particular that you were conscious of upon collaborating with Accenture?

A: Simple collaboration or support for data analysis can be achieved without forming a joint venture company, but, by investing capital in a joint venture, KDDI aimed to ensure that Accenture would be more committed to promoting KDDI’s data utilization

Q: How did the situation change as a result?

A: **We learned about best practices and gained data analysis know-how from Accenture,** which helped to resolve the issue of a lack of human resources for data analysis

Post-Deal

(KDDI)

Q: How did the situation change with ARISE analytics positioned as the entity for promoting data utilization throughout the KDDI Group?

A: **KDDI Group would not accumulate know-how on data utilization,** if it simply delegates data utilization of KDDI Group to ARISE analytics**. However, by ARISE analytics promoting data utilization throughout the KDDI Group,** the advanced knowledge and technology in the field of analytics that Accenture has cultivated both in Japan and overseas is gradually being absorbed into the KDDI Group

⑤ Establishment of ARISE analytics, inc.

(KDDI x Accenture, 2017)

Joint venture

Software/information

Following the establishment of ARISE analytics, KDDI has been leveraging the knowledge and other benefits it has gained from its collaboration with Accenture to develop and secure in-house DX human resources through the establishment of KDDI DX University and the introduction of a job-based HR system. Also, KDDI has been promoting in-house data utilization

KDDI DX University (KDU)

- ■ As KDDI has promoted data utilization across the group, it has established the **DX human resources development program "KDDI DX University (KDU)" with the aim at cultivating DX human resources within the company**

- ■ KDU is **a learning platform which realizes the development* of in-house human resources to promote DX business, which will become a core business at KDDI, and internal DX**

***Job types for development:**

① Business development job type: Accomplishing missions related to management issues

② Consultant & product manager job type: Realizing business reforms

③ Technologist job type: Leading IT system renewal incorporating cutting-edge technology

④ Data scientist job type: Realizing plans based on data, etc.

⑤ Experience architect job type: Creating the best customer experience

- ■ KDDI has **established a system to train human resources in charge of data utilization within the company**, which also leads to **increased employee motivation**

Job-based HR system

- ■ For data science-related human resources, a job description detailing the work of a data scientist under the **job-based** HR system was established for recruiting new graduates
- ■ Established a system where employees understand the skills required in the market and acquire data science skills

- ■ In response to changes in the external environment, such as "accelerating digitalization" and "the age of the 100-year lifespan," **KDDI is introducing a job-based HR system to clearly define duties and skills, and to accelerate employee growth through performance-based evaluation and compensation**
- ■ Evaluation system: With the aim of "maximizing results" and "developing individual capabilities," evaluations are conducted based on "achievement/challenge evaluation," "capability evaluation," and "human resource review"

⑥ KOMASA KANOSUKE DISTILLERY accepting a minority investment from Diageo plc (KOMASA JYOZO x Diageo, 2021)

Joint venture

Food products

①Issues

KOMASA JYOZO started its whisky business in response to the situation that Japanese shochu culture had not taken root in the overseas market. The company aimed to expand its business into overseas markets as a Japanese whisky brand

- For consumers outside Japan, **there has been no culture of drinking distilled alcohol bevelage with meals, so shochu was unfamiliar.** In 2014, the company received an inquiry from a Scottish trading company about importing oak barrel shochu "Mellow Kozuru," but ultimately the order was not placed
- On the other hand, whisky has become a "common language" with its worldwide popularity, and there has been an increase in the amount of whisky export value from Japan. In order to **establish KOMASA JYOZO as a globally recognized distilled spirits brand in the "Japanese whisky" category, which is also popular overseas,** the company started its own whisky business in 2017
- Since whisky production takes time, funding was required for capital investment in facilities such as distilleries, as well as for marketing

Changes in Shochu and whisky export value

Source: National Tax Agency (Unit: 100M yen)

Product	2017	2018	2019	2020	2021
Whisky	136	150	195	271	461
Shochu	15.4	15.3	15.6	12.0	17.5

Grew approx. 3.4x over five years

②Objectives

Two years after starting the whisky production, a VC from Diageo visited the distillery, leading to the idea of collaborating with Diageo to provide funding and strengthen the company's organizational structure

- **Representatives from Diageo's VC firm (Distill Ventures) visited the KOMASA KANOSUKE DISTILLERY , and after talking with the distillery staff Diageo** approached the company about a collaboration. After two years of negotiations, t**he company selected Diageo as its partner company**
- The negotiations during this period were conducted primarily in English, which made it difficult to coordinate. Therefore, **they obtained help from appropriate external experts such as financial advisors, lawyers, and tax accountants to proceed with the negotiations,** and decided to spin off the whisky business and create a joint venture company
- The partnership began for the purpose of not only providing funds needed for the whisky production and marketing for establishing a new brand, but also **for supporting of procurement, sales, marketing, and branding activities in the form of VC from Diageo**

③ Process

The company utilized appropriate external businesses and negotiated for collaboration. Hiring global professionals with strong sales and marketing skills to strengthen organizational structure for collaboration

Building a collaboration framework	■ Taking advantage of the opportunity presented by the collaboration with Diageo, the company has strengthened its organizational structure by **recruiting global professionals with advanced language skills and marketing capabilities** through multiple recruiters, including foreign-affiliated companies ■ When exhibiting at whisky events, the company sometimes tends to hire those people who have become fans of the KANOSUKE brand
Practical adjustments	■ **English is the primary language of communication between the two companies' management teams** ■ **Diageo is only involved in the management through the participation of its directors on the board of directors** ■ While there are cases where Diageo provides marketing advice at board of directors meetings, **in general the operations are handled by the KOMASA KANOSUKE DISTILLERY team in order to utilize the uniqueness of the company**

④Outcome

Since the start of collaborating with Diageo, the company newly hired approximately 10 global professionals. Also the company developed a new product in collaboration with Diageo, which is a combination between Japanese whisky and Scotch whisky

① Acquisition of global professionals

- The type of organizational structure that was necessary for KOMASA KANOSUKE DISTILLERY was discussed with the VC staff, and hiring of personnel began after narrowing the conditions down to strengthening the sales, marketing, and finance divisions in particular. The president himself successfully recruited approximately 10 global professionals, and thereby the company was able to build a system that would allow **the brand to communicate its value both in Japan and internationally and grow sustainably**
- In the future, the company is considering dispatching personnel to Diageo's distilleries in Scotland to study whisky making for several years

② New product development

- The barrels used for manufacturing KANOSUKE whisky are sold to Diageo for the use of Diageo's distilleries, and **Diageo has released a brand with a limited number of bottles as a new product.** The company will work closely with other Diageo partner companies **to ensure a system that facilitates information exchange and new product development**

⑥ KOMASA KANOSUKE DISTILLERY accepting a minority investment from Diageo plc (KOMASA JYOZO x Diageo, 2021)

Joint venture

Food products

Point

① The company selected an appropriate partner who can respect the company's brand and traditions and aim for a global roll-out of products together

- In order to advance collaboration, it is necessary to objectively analyze the environment surrounding the company, formulate a corporate strategy, and then determine whether the strategy can be realized by the company alone or whether a partner company is required
- If a partner company is needed, it is necessary to **search for a partner with whom the company can achieve its goals/vision together, and clarify the management balance with the partner** (such as clarifying the areas of collaboration when making various decisions), **capital ratios, and internal responsibilities and authority.** Although it is a unique process, **it is important to communicate and discuss the company's initial goals and vision with the partner company**
- The company was approached for collaboration by multiple companies other than Diageo, but the partnership with Diageo was decided since the company felt that Diageo would **respect KOMASA JYOZO 's brand, quality, and autonomy.** With Diageo, the company shared an awareness that **it was creating a brand together** on an equal footing

② The company created a scheme that would be beneficial for KOMASA JYOZO, the parent company, as well as KOMASA KANOSUKE DISTILLERY

- In the whisky business, **KOMASA JYOZO fulfills the following roles for KOMASA KANOSUKE DISTILLERY**
  - ➢ **Outsourced production for whisky bottling**
  - ➢ **Lease** of warehouses and other **buildings held by KOMASA JYOZO to** KOMASA **KANOSUKE DISTILLERY**
  - ➢ Managing exclusive distribution **for KOMASA KANOSUKE DISTILLERY (KOMASA JYOZO purchases whisky from** KOMASA **KANOSUKE DISTILLERY and sells it domestically and overseas)**
- Through the above relationship, KOMASA KANOSUKE DISTILLERY's whisky business **has been schemed to also benefit the sales of KOMASA JYOZO , thus providing benefits to the entire group**
- Additionally, this also has realized **the accumulation of know-how and brand development for the KOMASA JYOZO group as a whole**

Points that were thought out pre- and post-deal

Pre-Deal

KOMASA KANOSUKE DISTILLERY

Q: What was the response of those around you when working towards the collaboration?

A: **The liquor industry has a long history, and KOMASA JYOZO is a company based in the conservative Kagoshima Prefecture, so there was a negative perception of the company accepting a foreign capital**

Q: How did you explain it to the people around you?

A: We were particularly careful with our explanations as to the acceptance of a foreign capital which was unprecedented in the industry. Specifically, we explained that, as retail products, including beverages, have become increasingly borderless, **accepting a foreign capital is one way to promote Komasa Jyozo's products overseas and ensure the healthy growth of the business**

Post-Deal

KOMASA KANOSUKE DISTILLERY

Q: Were there any points that you devised while collaborating?

A: KOMASA KANOSUKE DISTILLERY generally conducts its accounting in accordance with Japanese accounting standards, **but in order to cooperate with Diageo it was necessary to comply with international accounting standards, and therefore we utilized external experts**

Q: Is there anything that SMEs should keep in mind when collaborating with foreign companies?

A: **It is important for managers to consider what kind of world they want to create through their company's business and what kind of management they want to conduct.** There is not much difference between collaboration between foreign companies and Japanese companies, except in terms of the language, so it cannot necessarily be said that "there's nothing to worry about just because in particular it's a Japanese company". We believe that SMEs have the agility to act, which makes it easier to create a borderless environment

⑥ KOMASA KANOSUKE DISTILLERY accepting a minority investment from Diageo plc (KOMASA JYOZO x Diageo, 2021)

Joint venture

Food products

By using whisky sales in Japan as a foundation, the company intends to expand its business overseas, and in the future, the company hopes that this will lead to the overseas production and sales of shochu, thereby turning "shochu" into a more common drink around the globe. To this end, the company intends to further utilize opportunities for interaction and information exchange with Diageo and Diageo's partner companies, and will also promote personnel development and further new product development

Current state (post-deal)

- Currently, **KOMASA KANOSUKE DISTILLERY's sales are primarily whisky sales in Japan**
- In addition, the scope of the collaboration is currently limited to the whisky business, and **the benefits of the collaboration have not yet been realized in the shochu business of KOMASA JYOZO**
- Although the company is working on new product development with Diageo and Diageo's partner companies, **there is room for further deepening of interaction and information exchange**

Future policy leveraging collaboration with Diageo

Expand the whisky business based on domestic markets	• While promoting sales expansion of whisky in Japan, the company **intends to leverage the domestic market to promote sales overseas (primarily in Asia, with plans to expand into Europe and America)** • If overseas sales volume increases in the future, it would be possible that the investment will be expanded to add production lines or that Diageo will manufacture the product overseas
Utilize the collaboration for shochu thriving on whisky	• The company is considering **a policy to develop the market by producing and selling shochu overseas, starting with overseas sales of whisky** • By producing shochu locally overseas, the company hopes to turn "shochu" into a more common drink around the globe. When doing so, it would provide shochu-related know-how to Diageo
Further utilize opportunities for interaction and information exchange	• The company plans to further utilize opportunities for interaction and information exchange, such as sending personnel to Diageo's Scottish distilleries to have staff learn at Diageo, and selling collaborative products with partner companies from the KOMASA KANOSUKE DISTILLERY

KANOSUKE DISTILLERY (KANOSUKE DISTILLERY official website: https://kanosuke.com/visit-us)

⑦ JTB System Solution accepting an investment from IBM Japan, Ltd.(JTB x IBM Japan, 2021)

Joint venture

Software/information

①Issues

JTB has been aiming to further promote digital transformation and strengthen its IT human resources, while IBM has been aiming to build continuous relationships with Japanese companies in the IT field

- JTB has aimed to promote DX and strengthen its IT human resources
- IBM has been involved in the development and operation of JTB's core systems since the 1960s, and as a technology company leading the promotion of digital transformation globally, it has aimed to actively contribute to JTB's digitalization

②Objectives

JTB issued an RFI. IBM's proposal was evaluated positively as providing support for enhancing JTB Information Systems functionality and JTB's digital transformation

- The main reason that JTB selected IBM as a partner for collaboration was that they assessed that IBM's proposal encompassed support for enhancing the functionality of JTB Information Systems and JTB's digital transformation
- Specifically, IBM made a proposal to JTB on "IT transformation", "digital transformation", and "business process transformation in the IT and digital fields"

③ Process

The company implemented a QA review process equivalent to IBM's. The company defined processes for identifying issues and solutions. The company held one-on-one meetings (including those between the president and each employee) and roundtables at various levels

- Liaison meetings were held once a month for employees. These meetings purported to explain the necessity of strengthening the IT planning function to each employee. Communication was encouraged, whie allowing the time for Q&A.
- In order to clarify the issues, one-on-one meetings and roundtables were held between the heads of the five divisions, department heads, and other managers
- In addition, the president listened to requests from each employee and implemented measures accordingly (details provided in the next page)
    - Employees' requests were prioritized and classified, then discussed by the relevant departments and the measures were implemented

④Outcome

The company leveraged IBM's know-how to improve the digital transformation of IT system development as well as effectively manage costs. The company utilized IBM's training programs to promote development of IT personnel

- The company introduced the "QA review process," an IBM standard process for system development, which contributed to improving the quality of the system development. This process has been operated by a dedicated organization independent of the delivery organization.
- By using the globally shared learning platform "Your Learning," training programs that matched the characteristics of each employee became available at any time, which significantly improved the training and learning time

⑦ JTB System Solution accepting an investment from IBM Japan, Ltd.(JTB x IBM Japan, 2021)

Joint venture

Software/information

Point

① **IBM has supported JTB in formulating the enterprise architecture for the entire system, and during the system development phase, IBM and IJDI have collaborated in supporting multiple development projects**

② **As a result of introducing IBM standard processes, IBM contributed to improving the quality of IT system development**

③ **The company also adopted IBM’s HR system (including IBM’s professional certification), and clarified employees’ desired careers and then provided support such as training. This contributed to enhanced employees’ engagement and motivation**

■ IBM’s HR system was adopted (IBM’S professional certification). This defined the professional roles of project managers and technical specialists. Employees’ training started from 2022 with the aim of all employees being certified as “professionals” by the end of 2024

#	Type of professional	Content
①	Industry	Travel industry knowledge
②	Practice	AI, cloud, etc.
③	Profession	Specific skills
④	Business core	Leadership, problem solving abilities, etc.

Points that were thought out pre- and post-deal

Pre-Deal

(IJDI)

Q: Were there any difficulties when working towards the collaboration?
A:The difficulty related to introducing the IBM standard processes. In order to implement these best practices, awareness-raising activities had to be carried out mainly by the dedicated division in charge of this initiative
However, initially there was a confusion about the differences with the previous ways of thinking and methods, and the idea was not accepted
Q: How did you promote the IBM way of thinking?
A: We held monthly meetings for employees engaged in operations, maintenance, and development to explain the issues of individual optimization and the importance of transitioning to overall optimization, and we referred to the examples from other companies. We made some time available for Q&A.
We held one-on-one meetings (30 mins each) with all 400 employees, and gained understanding from employees by making time to talk with each of them

Post-Deal

(IJDI)

Q: Were there any points that you devised while collaborating?
A: The QA review process is a process in which each QA step is reviewed from the perspectives of technology, project management, and business. It is a process to ensure the soundness of the project by reviewing each stage from the time of proposal creation to the completion of the project, including the validity of the solution and technical risks, based on the development scale and risk assessment.
Project estimates were also reviewed by a third-party dedicated department in accordance with this review process, which allowed for even greater accuracy.
The management team communicated closely with the front lines. In order to promote the strategy, one-on-one meetings and round table meetings were held with high frequency.
Q: Were there any other points that you devised?
A: An awards program was created. A president’s award and general manager’s award are presented once per quarter. Presenting the president's award once a year also helps to enhance employees’ motivation

⑦ JTB System Solution accepting an investment from IBM Japan, Ltd.(JTB x IBM Japan, 2021)

Joint venture

Software/information

Diversity efforts

Promoting diversity with a female ratio of 44%

- Even when the company was still JTB System Solution, the ratio of females was over 40%, and there were well-developed systems including childcare leave
- The ratio of female managers is approx. 25.6% as of Aug. 1, 2023
- Gender-free childcare leave is available
- In response to the desire to continue working from home even after the end of the Covid-19 pandemic, the company has a hybrid work system that enables an easy environment for employees to work. However, to prevent younger employees from feeling isolated, they are encouraged to come to the office once per week

Future vision

Promote the development of personnel who are IT professionals that support DX promotion, with the aim at becoming a unique digital innovation company leading the transformation in the tourism industry

Moving forward, IJDI will leverage the know-how accumulated at JTB and the extensive track record of IBM to achieve the following goals

- Contribute to the enhancement of JTB's business value by utilizing new technologies
- Contribute to the creation of new businesses and services which leverage the next generation of existing systems and digitalization
- Provide a high-quality IT environment that supports business
- Provide high-quality, highly reliable IT services, and continually improve productivity
- Development of highly specialized IT personnel
- Development and provision of personnel well-versed in IT for the tourism industry

⑧

Establishment of TG Octopus Energy Co., Ltd.

(Tokyo Gas x Octopus Energy, 2021)

Joint venture

Other retail

①Issues

Octopus Energy was aiming for further business expansion, and it was searching for a partner in Asia

TOKYO GAS

- Following the liberalization of the electric power retail market in 2016, the company entered the electric retail business and established a leading position among new power companies, mainly in the Tokyo metropolitan area, by utilizing its existing gas retail sales network. However, the company was aiming to further expand its business
- Tokyo Gas also needed a system that would enable it to flexibly create tariffs **and provide a better customer experience which would be appropriate for nationwide expansion**

octopus energy

- Octopus Energy launched its electric retail business in 2016 and has expanded its operations to 15 countries, mainly in Europe, as well as the United States and Oceania
- Octopus Energy was considering to enter into the Asian market and was looking for **a business partner who could develop customers locally and comply with local laws and regulations**

②Objectives

Tokyo Gas was attracted to Octopus Energy, which had been a center for attention, and considered collaborating with Octopus Energy to acquire customers through a better customer experience by utilizing its advanced digital platform

(Octopus Energy's characteristics & strengths)

- Octopus Energy had been a center for attention in the UK, following the country's liberalization of electric power retailing for utilizing its proprietary digital platform "Kraken" to realize a better customer experience and streamline operations.
- The business started in 2016, and in 2020 at the time of the alliance with Tokyo Gas had reached at 1.8 million contracts. Today it has reached at 6.5 million contracts and has the No.1 share in the UK (approx. 20%).

(Background/objectives from Tokyo Gas' perspective)

- It was informed that in the UK, where the electricity market had already been liberalized, **Octopus Energy was looking for a business partner in Asia,** and Tokyo Gas approached Octopus Energy
- Tokyo Gas onsidered collaborating with the company **for the purpose of expanding business by utilizing "Kraken" for a better customer experience and streamlined operations**

③ Process

In addition to deepening mutual understanding through dialogue and building a relationship of trust, the company adopted Octopus Energy's brand and corporate culture to develop a new business model

- **Building a trusting relationship**
  - ➢ Due to differences in language and corporate culture, Tokyo Gas and Octopus Energy **repeatedly discussed their respective visions and what they wanted to achieve by establishing the joint venture** (although the joint venture was established during the Covid-19 pandemic, they frequently communicated online)
- **Adopting Octopus Energy's brand**
  - ➢ Since the aim was to develop the business as a "new brand" of the Tokyo Gas Group, the company decided to adopt **the Octopus Energy logo and brand without projecting any features of Tokyo Gas and matched the way of doing business to the Octopus Energy corporate culture**

④Outcome

While utilizing "Kraken" to expand and enhance their electric power retail services, the company also developed digital-savvy personnel and transformed the corporate culture at Tokyo Gas through the collaboration

- **The company expanded and enhanced the electric power retailing with a focus on renewable energy through the JV**
  - ➢ **The company adopted Octopus Energy's digital platform, "Kraken",** to realize a better customer experience while keeping operational costs down
  - ➢ **The company developed a nationwide electricity retail business across Japan with a focus on renewable energy**, while utilizing the digital marketing knowledge of Octopus Energy
  - ➢ "Kraken" realized a **"concierge system" that allowed the same operator to handle all kinds of customer inquiries, and thus the company became able to clarify the point of contact and enhance services**

⑧

Establishment of TG Octopus Energy Co., Ltd.

(Tokyo Gas x Octopus Energy, 2021)

Joint venture

Other retail

Point

① Promoting mutual understanding by matching visions and the objectives for establishing a joint venture company

- After contacting Octopus Energy, **Tokyo Gas held dialogues with Octopus Energy at multiple levels from Tokyo Gas executives** to the staff level
- Before entering into negotiations on the terms of establishing the joint venture, **the two companies repeatedly discussed their visions and what they wanted to achieve in Japan through the joint venture.** This helped them to bridge the differences in corporate culture and deepen mutual understanding, even amid the Covid-19 pandemic
- This enabled them to build a relationship of trust, and they were able to move the business forward smoothly without any conflicts over management policies, etc.

② Smoothly adopting the philosophy, business know-how, and systems of the partnering UK company

- In terms of the business operation of the JV, the company proceeded by referring to the Octopus Energy philosophy and methodologies rather than the methods of Tokyo Gas.
- The company promoted business expansion and the enhancement of services in line with the Japanese business environment while utilizing Octopus Energy's business know-how and operational strengths to the maximum extent possible

③ Speedy top-down decision-making for DX promotion

- In establishing the joint venture company, there were concerns that Tokyo Gas' existing business would be in competition with the JV to secure customers. However, on the basis that DX would enable the company to realize a better customer experience and streamlined operations with the aim of expanding the customer base, and Tokyo Gas decided to establish the JV company emphasizing the benefits it presented to expanding the Tokyo Gas Group's business as a whole

Points that were thought out pre- and post-deal

Pre-Deal

(Tokyo Gas)

Q: Were there any difficulties you faced when launching the collaboration?

A: Since the Covid-19 pandemic was ongoing at the time, it was extremely difficult to communicate. While we were able to communicate online, **the time difference between Japan and the UK presented a difficulty, and there were restrictions on entry into Japan. Therefore, we dispatched operators (customer service staff) to the UK, and there they learned Octopus Energy's operations and also we met in a third country for discussions.** In this way, we were able to smoothly start business for the joint venture company after UK members came to Japan.

Post-Deal

(Tokyo Gas)

Q: What kind of points did you devised for the operations?

A: We maximized efforts **to recreate Octopus Energy's UK operations in Japan without changes.** At Octopus Energy, **the top priority has been on customer service by operators, and the company believes that engineers and back office staff are there to improve the way operators provide customer service.** For example, **the office is arranged so that the operators' work space is in the center,** with the president's desk nearby. In addition, because operators, engineers, marketers, etc. work on the same floor, **any areas for improvement identified by operators can be immediately shared with engineers, etc., allowing for quick corrections to be made using on-site decision-making authority.** This is how **we realize a better customer experience.**

⑧

Establishment of TG Octopus Energy Co., Ltd.

(Tokyo Gas x Octopus Energy, 2021)

Joint venture

Other retail

By utilizing the digital platform "Kraken" to operate an electricity retail business focusing on renewable energy, Tokyo Gas and Octopus Energy aim to improve customer satisfaction and decarbonize Japan and transform the energy industry

Collaborative efforts

- TG Octopus Energy has adopted and implemented in Japan the excellent customer experience and operations that Octopus Energy has achieved in the UK
- For example, even when customers make various inquiries (regarding contract initiation, plan changes, troubleshooting, etc.) through various channels (telephone, email, etc.), the same operator can quickly respond to all inquiries using the "concierge system," thereby providing an excellent customer experience

Features and advantages of Kraken

- Octopus Energy utilizes its digital platform called “Kraken” to provide a better customer experience and realize its streamlined operations. This will provide a superior service to other companies
- The system can quickly create various tariffs for each customer, allowing the provision of electricity plans that would suit each customer
- The system is highly scalable and flexible, and can be improved on a daily basis due to the ability to quickly alter specifications. The company strives to respond quickly to suggestions for improvement from customers

Vision

- TG Octopus Energy aims to further establish its brand and expand its customer base in Japan.
- The “Kraken” system was successfully introduced at TG Octopus Energy and was put to its effective use, and this lead to the decision to introduce the “Kraken” system at Tokyo Gas as well. Thriving on that Tokyo Gas and Octopus Energy engineers working together on collaborative projects, the company intends to lead DX human resource development and corporate culture reforms within the Tokyo Gas Group
- In the medium to long term, the Tokyo Gas Group as a whole aims to provide services with high customer satisfaction and transform the energy industry by bringing advanced digital technologies to the industry

⑨

Establishment of BASF TODA Battery Materials
（TODA KOGYO CORP.× BASF 2015）

Joint Venture

chemical

Company overview（Excerpt from press releases**）

■About BASF’s Catalysts Division
BASF’s Catalysts division is the world’s leading supplier of environmental and process catalysts. The group offers exceptional expertise in the development of technologies that protect the air we breathe, produce the fuels that power our world, and ensure efficient production of a wide variety of chemicals, plastics and other products, including advanced battery materials. By leveraging our industry-leading R&D platforms, passion for innovation and deep knowledge of precious and base metals, BASF’s Catalysts division develops unique, proprietary solutions that drive customer success. Further information on BASF’s Catalysts division is available on the Internet at www.catalysts.basf.com.

■About BASF
At BASF, we create chemistry for a sustainable future. We combine economic success with environmental protection and social responsibility. Around 111,000 employees in the BASF Group contribute to the success of our customers in nearly all sectors and almost every country in the world. Our portfolio comprises six segments: Chemicals, Materials, Industrial Solutions, Surface Technologies, Nutrition & Care and Agricultural Solutions. BASF generated sales of €78.6 billion in 2021. BASF shares are traded on the stock exchange in Frankfurt (BAS) and as American Depositary Receipts (BASFY) in the U.S. Further information at www.basf.com.www.basf.com.

■About Toda Kogyo Corp.
TODA KOGYO CORP. is specialized in the Wet Synthesis Technology of metal oxide, and manufacturing coloring materials including pigments and toners, magnetic powder materials, ferrite materials and other various magnetic materials. We aim to expand our business globally along with our fundamental line to provide solutions to support society in the aspects of information, environment and energy. TODA KOGYO CORP. had consolidated net sales of about 35.3 billion JPY in the fiscal year 2021, as well as about 1,303 employees at the end of 2021. More information on TODA KOGYO CORP. is available at www.todakogyo.co.jp.

BASF

Kenneth Lane, President of BASF’s Catalysts division

(2015 press release)*
“BASF brings global strength in cathode active materials to this new venture, together with a 150-year history of innovation. We look forward to developing the business in Japan, which is a global leader in lithium-ion battery manufacturing and innovation.”

Dr. Peter Schuhmacher President, Catalysts division at BASF

(2022 press release) **
"BTBM today is a leader for high nickel CAM materials of superior quality and plays an important role in BASF’s global production network for battery materials. This investment at the Onoda site, already one of the world’s largest calcination facilities for CAM, will support our customers’ ambitious growth plans in Japan and worldwide. We will introduce an innovative and proprietary new production process allowing highest throughput rate combined with consistent highest quality."

TODA KOGYO CORP.

Shigeru Takaragi, President of TODA KOGYO CORP.

(2015 press relese)*
“With the formation of this joint venture we are ready to respond in a flexible and timely manner to the globally expanding cathode materials market for lithium-ion batteries. BASF and TODA will combine and mobilize resources to take full advantage of our synergies so that we can provide more innovative solutions to meet customer needs and demands.”

(2022 press release)**
"With the further expansion of the Onoda site, we are supporting the Japanese government’s goal of strengthening the local supply chain. Together with BASF, we are combining and mobilizing resources to take full advantage of our synergies to respond to the fast-growing demand for lithium-ion batteries."

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* https://www.basf.com/jp/en/media/news-releases/global/2015/02/p-15-147.html

** https://www.basf.com/global/en/media/news-releases/2022/07/p-22-294.html

⑩ Establishment of Hitachi ABB HVDC Technologies, Ltd(currently integrated into Hitachi Energy Japan Ltd.)(Hitachi, Ltd. x ABB, 2014)

Joint venture

Power/gas

①Issues

Hitachi Ltd. had issues in accumulating HVDC technologies and knowledge, (including voltage source converter-type HVDC), and ABB had issues in entering into the Japanese market with its HDVC business, due to the Japanese market's peculiarities

- Since the 2010s, the marketization of electricity and the introduction of renewable energy have accelerated overseas, and an increase in HVDC has been anticipated
- After the Great East Japan Earthquake, discussions on strengthening grid interconnections began in Japan as well

	Hitachi, Ltd.	ABB (at the time of the started of collaboration)
Strengths	• **Presence in Japanese market** • Familiarity with business practices such as dealing with domestic power companies, reliability levels, warranty details, etc. • Locations in Japan (maintenance staff and technicians)	• No.1 global share of HVDC • **Cutting-edge technologies including VSC HVDC**
Challenges	• Stagnation of technological development, including VSC, due to **the stagnation of the domestic HVDC market since 2000** (reduction of framework) • Struggles in HVDC exports	• Difficulties entering **the Japanese market due to its particularities** (business practices, standards, language, etc.)

②Objectives

The two companies began collaborating to leverage Hitachi's trusted reputation and presence in the Japanese market and ABB's strengths in cutting-edge technologies, including HVDC, to complement each other's weaknesses

- ABB had a difficulty in entering the Japanese market due to its peculiarities (business practices, standards, language, etc.), but it was able to build a win-win relationship with Hitachi, which had a strong reputation and presence in the Japanese market
- Hitachi, Ltd. felt that the two companies, both of which started in the mining business more than a century ago, had a good chemistry and considered collaborating with ABB after understanding the strengths of both companies

Hitachi, Ltd.		ABB
• Highly reliable technology and control and protection technology **cultivated through participation in almost all projects in Japan**	**HVDC converter control technologies**	• World-leading HVDC track record **including LCC and VSC, and the** technical capabilities **to support numerous projects and continue making further progress**
• **Extensive experience in Japan** • System engineering that **realizes reliability** and operability that **meets Japanese demands**	**System engineering**	• **Track record of responding to broad global needs, and system engineering know-how**
• Technicians' ability to respond swiftly at Japan locations, and **reliability for long-term maintenance support**	**Maintenance support**	• **Track record of long-term maintenance for HVDC sites worldwide**, delivered since the 1960s

③ Process

The CEO and COO, both from the parent companies, have managed the company as "representatives of the joint venture company" rather than as representatives in the interests of the parent companies

- Hitachi, Ltd.'s Chairman and CEO, Mr. Nishioka, and ABB's President and COO, Mr. Larsson, have progressed the collaboration
- **They provided a thorough explanation to relevant parties from both parent companies about the technologies, market and customer situations of both companies, as well as the significance and direction of the collaboration.** After several years of steady communication, a relationship of trust was built between the parent companies
- Employees were seconded from both parent companies
- Being involved in overseas projects contributed to increased interactions with overseas technicians and enhanced employees' motivation

Hiroaki Nakanishi, then Chairman and CEO of Hitachi, Ltd. / Ulrich Spiesshofer, then CEO of ABB
Hitachi Brand Channel YouTube video "Hitachi and ABB Press Conference - Hitachi", 2014/12/17
https://www.youtube.com/watch?v=8zcyJ4QmqLU

④Outcome

In the eight years since the collaboration began, sales in Japan have grown approx. tenfold from several hundred million yen. The company aimed at further growth due to the increase in HVDC in Japan

- The company has gained knowledge about overseas policies and schemes for introducing HVDC from ABB and overseas transmission system operators (TSOs) and others. For example, knowledge on what scheme should be used to realize long-distance interconnection, and how risks should be hedged
- Before the establishment of HVDC Technologies, there were few HVDC -related projects, and sales in Japan were only a few hundred million yen, but **following eight years since the start of the collaboration, the sales has grown approx. tenfold**
- This collaboration also helped **Hitachi, Ltd. to acquire ABB's power transmission and distribution division, making it a wholly owned subsidiary under Hitachi Energy, and expanding its operations overseas**

⑩ Establishment of Hitachi ABB HVDC Technologies Ltd. (currently integrated into Hitachi Energy Japan Ltd.)(Hitachi, Ltd. x ABB, 2014)

Joint venture

Power/gas

Point

① Strategic collaboration to incorporate cutting-edge overseas technologies and deployment thereof in the domestic market

- Prior to the collaboration, the company **conducted technical due diligence** on ABB's HVDC technology and confirmed that it was cutting-edge, high-quality technology overseas, before bringing the technology to the Japanese market and developing the HVDC business
- The company expanded business by incorporating advanced overseas technologies and know-hows through collaboration and **deployed such technologies in the domestic HVDC market, which was expected to grow**

②Building a relationship of trust between CEO and COO of the joint venture company and communication with the parent companies

- As representatives of HVDC Techno, the CEO and COO managed the business and conducted negotiations, which significantly contributed to **avoiding internal conflicts of interest, maximizing HVDC Techno's profits, and building a relationship of deeper trust**

③ Careful internal coordination and coordination with the foreign company, taking into account the peculiarities of the Japanese market

- **The Japanese market had peculiarities**, such as its own standards and policies regarding technology disclosure, which posed challenges for overseas suppliers, including ABB. **To avoid any discrepancies post-deal, Hitachi made the peculiarities known and both companies aligned policies before the collaboration began. Also, when asked about details by a business partner,** after sorting out the details that needed to be confirmed internally, **Hitachi explained to ABB the special conditions and data requirements in Japan**

Points that were thought out pre- and post-deal

Pre-Deal

(Hitachi)

Q: Were there any special considerations working towards the collaboration?

A: We maintained thorough and transparent communication with the stakeholders involved in the parent companies

Q: How did the situation change as a result?

A: We were able to get to know each other better, including the details of the technology and the particularities of the Japanese market

Q: Were there any points that you paid particular attention to for directors and employees?

A: As mentioned above, we explained why we decided to establish a joint venture with ABB, and **that there were benefits for Hitachi after conducting thorough technical due diligence**

Post-Deal

(Hitachi)

Q: Were there any points that you devised while collaborating?

A: We devised a way to explain the particularities of the Japanese market to Hitachi Energy and its overseas business partners, including its suppliers. **In order to explain why data is needed, we try to provide a logical explanation in English of the Japanese market and the situation of customers**

Q: How did the situation change as a result?

A: We are able to hear detailed explanations from overseas business partners (engineers and suppliers) and **can provide clear explanations of the system and equipment specifications, costs, etc. to Japanese customers, thereby gaining their understanding**

Q: Looking back on this collaboration, are there any points to learn from or areas you would like to improve on?

A: Language ability and communication remain issues even now. **In order to overcome the peculiarities of the Japanese market and fill the culture gap, we are continuing to give briefings and communicating in English,** and employees are gradually getting more proficient in English

⑩ Establishment of Hitachi ABB HVDC Technologies Ltd. (currently integrated into Hitachi Energy Japan Ltd.)(Hitachi, Ltd. x ABB, 2014)

Joint venture

Power/gas

■ Background

The construction of VSC HVDC was expanding rapidly in the world, and the Japanese HVDC market is also expected to grow in the future HVDC systems require optimal system design to suit various required specifications, climates, geographical conditions, legal regulations, etc. Furthermore, a project period spanning several years from system analysis through design, production, testing, and service is expected to last for several decades or more. Therefore, technical capabilities and project management capabilities based on an extensive track record and experience are key factors for the project's success

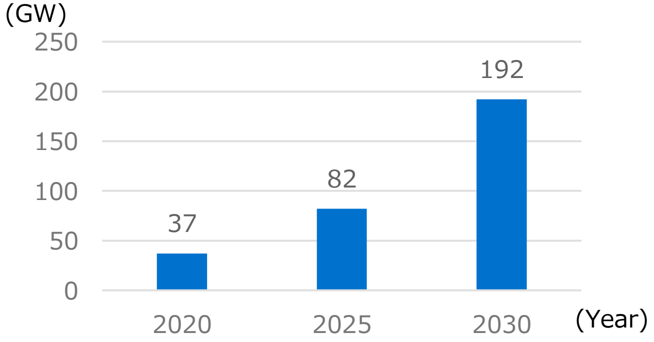
- **Hitachi, Ltd. has taken advantage of the success of its joint venture HVDC Technologies in the Japanese HVDC business to promote overseas expansion (for example, Hitachi, Ltd.'s acquisition and integration of ABB's power transmission and distribution division in 2020)**
- **The company has been expected to continue to lead decarbonization in Japan and the world by utilizing cutting-edge technology based on Hitachi, Ltd.'s extensive track record and know-how in the Japanese market and the knowledge and experience in the global market gained from ABB's power transmission and distribution division**

■ Growth of the HVDC market, Hitachi, Ltd.'s track record, and future policies

The HVDC market, including VSC HVDC, is expected to expand globally

As many VSC HVDC projects are already underway in the world, knowledge and technology obtained in the global market will be utilized to the domestic market to continue leading the world's decarbonization efforts

Global VSC HVDC market (forecast)



■ Background to Hitachi, Ltd.'s acquisition and integration of ABB's power transmission and distribution division

December 2014	Hitachi, Ltd. and ABB announced the establishment of a joint venture in the HVDC business (**Hitachi ABB HVDC Technologies ("HVDC Technologies))** *To handle HVDC projects in Japan
July 2020	Hitachi, Ltd. acquired ABB's power transmission and distribution business (investment ratio 80.1%) **(Hitachi ABB Power Grid)**
October 2021	Hitachi, Ltd. made Hitachi ABB Power Grid a wholly owned subsidiary Hitachi ABB Power Grid renamed to **Hitachi Energy,** and Hitachi ABB HVDC Technologies renamed to **Hitachi HVDC Technologies**
October 2023	**Hitachi Energy made Hitachi HVDC Technologies a wholly owned subsidiary**
December 2023	Dissolution of Hitachi HVDC Technologies

Created based on materials provided by Hitachi, Ltd.

⑪ Morgan Stanley and Mitsubishi UFJ Financial Group's Strategic Alliance and Joint Investment in a Securities Subsidiary in Japan (Mitsubishi UFJ Financial Group x Morgan Stanley , 2010)

Joint venture

Securities

①Issues

MUFG was aiming to strengthen its investment banking business and to capture cross-border deals in particular; MS was aiming to raise its presence in Japan and capture more deals

MUFG

- MUFG **had an extensive customer base in the Japanese market** and was looking to gain a competitive edge in the securities sector
- In particular, there was an awareness of issues in their investment banking operations, and the company was **seeking to strengthen its framework for promoting large-scale deals**, including cross-border deals

Morgan Stanley

- MS had a **global network** for M&A and underwriting of stock and bond issuances
- As the players in the Japanese securities industry have become more deeply rooted, the company aimed to increase its presence in Japan, **capture deals in Japan, and expand its Japanese business**

②Objectives

This collaboration began when MUFG made an investment in MS in 2008. A mutually complementary relationship was planned, under which MUFG would provide an extensive domestic customer base and MS would provide its global network and high-quality products and services

- In Japan, MUMSS and MSMS* have leveraged MUFG's customer base in Japan and MS's global network for M&A and overseas underwriting of stocks and bonds to comprehensively respond to customers' financial needs
- **Combining MUFG's Japan customer base with MS's global network enabled the joint venture to take on larger scale deals**
- MUMSS leveraged MS's know-how **to strengthen its wealth management services (comprehensive management services for personal assets for the wealthy), which were still developing in the Japanese market at the time of starting the collaboration**

*A joint venture established by MUFG and MS with voting rights of 49% and 51%, respectively

③ Process

Close collaboration including with top management and personnel exchange through, e.g., the dispatch of employees from MUFG to MS

- There have been a dispatch of directors from MUFG and MS. **Discussions were held in the areas of collaboration and the current state of business through steering committee meetings that discussed business execution and discussions between the CEOs**
- At the frontline level, a trainee system **was put into place to deploy employees of MUFG and MUMSS to work at MS offices to absorb MS's business know-how**

④Outcome

The collaboration resulted in the ranking as No.2 in the Japanese securities industry when combining the net operating revenue of MUMSS and MSMS, which involved global deals of Suntory Holdings, Recruit Holdings, etc. as such

- In terms of investment banking, by collaborating with MS, the company is expanding its **global deals**, such as Suntory Holdings' cross-border M&A with Beam
- In launching its wealth management business, the company utilized **MS's know-how to develop a digital platform.** They realized timely proposals that met the needs of customers in asset management, etc.
- **Net operating revenue for fiscal year 2022 was 381.3 billion yen, ranking as second in the Japanese market**

⑪ Morgan Stanley and Mitsubishi UFJ Financial Group's Strategic Alliance and Joint Investment in a Securities Subsidiary in Japan(Mitsubishi UFJ Financial Group x Morgan Stanley , 2010)

Joint venture

Securities

Point

① Building an appropriate monitoring structure based on cross-governance of the two shareholder companies

- In addition to management control by the parent company, MUFG, and monitoring as a shareholder, a corporate governance system has been **established to appropriately monitor activities** by introducing cross-governance, in which directors have been appointed from both companies while clarifying decision-making authority and ownership

② Compatibility between MUFG and MS's corporate cultures

- As a foreign-affiliated company, MS had been doing business in the Japanese market for a long time and had a long-term vision of emphasizing contribution to customers and added value proposals. **This long-term commitment to its customers and the Japanese market has been well suited to MUFG's corporate culture,** which led to the two companies' commitment to a collaborative partnership

③ Earning customer's trust by responding to increasingly sophisticated and diverse financial needs

- In the investment banking business, the company adopted a policy of "**being more locally rooted than any global competitor and providing more global business value than any local competitor,**" and the company has responded to the increasingly diversified needs of its clients with its ability to provide a wide range of services for both large cross-border transactions and small and medium-sized deals in Japan

Points that were thought out pre- and post-deal

Pre-Deal

Q: Were there any special considerations working towards the collaboration?

A: We placed importance on the merger negotiation and discussion process, **and thoroughly discussed the framework regarding the business goals, scope, and approach,** including what we are aiming for, what business model we will use, and what structure we will have for collaborating. While respecting Morgan Stanley's approach to investment banking, we placed an emphasis on creating a system and culture that would allow us to utilize each other's strengths

Post-Deal

Q: Were there any points that you devised while collaborating?

A: Employees have widely diversified mentalities, **so rather than being one-sided about one set of values, we discussed what was fair and what was the best and promoted the sharing and integration of major values.**

Specific initiatives have included improving the HR system in the investment banking business, which linked compensation to performance, as was the case at Morgan Stanley

⑪ Morgan Stanley and Mitsubishi UFJ Financial Group's Strategic Alliance and Joint Investment in a Securities Subsidiary in Japan (Mitsubishi UFJ Financial Group x Morgan Stanley , 2010)

Joint venture

Securities

Expanding the scope of collaboration from investment banking to "deepening the alliance strategy"

MUMSS and MSMS have been collaborating for over 13 years in the investment banking business between MUFG and MS both in Japan and globally, and have expanded their collaboration to include wealth management, asset management, and sales and trading for institutional investors

Following the collaboration between the two companies that began with the establishment of the joint venture, MUFG Bank and MS began collaborating in foreign exchange trading operations through MSMS in order to leverage each other's strengths and further cooperate with each other

Integrating MUMSS and MSMS and combining their strengths in the Japanese equities business for institutional investors has enabled the provision of better customer service and enhanced competitiveness

4. Columns, Definitions and Explanations of Various Terms

Column ①

Ways by which the Japanese companies have overcome corporate culture (business practice) differences with foreign companies

- When collaborating with foreign companies, many Japanese companies may sense the differences in corporate culture and business practices between the two companies. In order to make collaborations and joint ventures successful and lead to a sustainable development, it is necessary to overcome these differences and maintain appropriate communication, while progressing on business operations
- Below, key points are identified for overcoming difficulties through ingenuity, based on an analysis developed through the interviews conducted

Specific examples of corporate culture (business practices) differences	Methods to overcome the differences
☐ Differences in employee culture and language When we accepted foreign employees from our partner company, it took time for them to understand each company's corporate culture. In addition, to deal with the language barrier, meeting materials had to be prepared in both Japanese and English	■Language support is provided to employees of the foreign company and assistance for their daily lives is also provided in Japan. Translation application are also used to translate internal meeting materials into Japanese and English (some companies also use interpreters). In addition, in order to understand and accept foreign cultures, we hold social gatherings in the area around the company
☐ Differences in business approval process, etc. As we progressed with product development with our collaborative partner, we discovered that the internal approval processes and sense of schedules differed significantly. While the foreign company was able to determine important factors such as target costs at the concept stage, their approach to risk was different from that of Japanese companies	■Development on methods and quality standards are closely coordinated with foreign employees and within Japan. The Japanese company may predict risks in advance and proceed with the work ahead of time, and schedule would be coordinated according to the needs of the foreign partner company
☐ Differences in industry-specific business practices When foreign products and services into Japan are brought, due to the lack of a track record in the Japanese market, differences in business practice, particularly strict requirements for technical disclosure and the way of thinking about business conditions, may require a significant level of explanations and disclosure of information that may not normally be required in overseas markets	■Even before starting the collaboration, the company carefully explained to the other foreign party the peculiarities of the Japanese market (requests for technology disclosure, etc.). When the company may receive a question from a Japanese customer that the company may need to confirm with its foreign partner, the company may coordinate by internally summarizing the background of the question and the customer's needs and convey those to its foreign partner ■In addition, when it comes to matters that cannot be disclosed that involve the company's know-how, the company would carefully explain the situation to the client
☐ Different perceptions of the market of entering the country The marketing team of the partner company and our own company had different understandings of the characteristics of the market in the country we were expanding into, and initially there were differences in our thinking and approach to our overseas expansion strategy	■By taking the time to communicate about the collaboration, the company was able to incorporate the overseas expansion and branding strategies of the foreign partner company
☐ Differences in corporate culture or ways of doing business There was a significant difference in the corporate cultures of the Japanese company and the foreign company. The foreign company had an organization was run in which the business was operated in a non-hierarchical manner and decisions were made quickly.	■In order to reform the business model, the company adopted the business execution methods of its foreign partner and re-examined the floor layout to create an office environment in which employees could communicate more on an equal footing

Column ②

Cautions based on the Dissolved Cases of Collaborations or Joint Ventures with Foreign Companies

- Based on an analysis developed through publicly disclosed informaiton that examined collaboration or joint ventures with foreign companies that were dissolved, it was found out that in some cases the reasons for the dissolution encompassed changes in the economic environment, failure to achieve the expected results, and strategic inconsistencies between the parent companies. However, there are also some cases where the joint venture company was dissolved that resulted along with a constructive outcome, due to the review of joint venture company's business portfolio and investment strategy or the creation of a wholly owned subsidiary after the business became successful
- The period from the capital participation (start of collaboration) to the sale of equity (dissolution) varies for different cases, ranging from about one year to over 10 years
- The main reasons for dissolutions (examples), as well as cautions in terms of the contractual and corporate governance issues in the dissolved cases are identified as follows

Reasons for dissolution (examples)

Change in economic environment	• One of the parties may withdraw from the joint venture due to a worsening of economic situations and falling stock prices, etc.
Difficulties in business operations	• Because the collaboration began and has continued with the aim at achieving short-term objectives before the relationship of trust was fostered between the two parties, misunderstandings and miscommunications between the two parties arose, and the business did not get on the track (and the sales was also below expectations) • One of the parties in the joint venture desired to ensure that the discretion was provided to such party for changing the scope of business of the joint venture, so that it may consider expanding into a business that may compete with the joint venture
Peculiarities of the Japanese market	• As for a collaboration aimed at bringing new foreign products and solutions to Japan, the collaoration may have dissolved because agreement between the two parties was not sufficient at the beginning of the collaboration as to how to deal with the peculiarities of the Japanese market (such as the uncomformity of foreign products' global standards in the Japanese market)
Strategic inconsistencies between the parent companies	• Both parties did not clearly share the purpose and synergy effects of the collaboration due to a lack of communication, and both parties had different perceptions of the outcomes and the exit strategy for the collaboration • No special meeting system was put into place to facilitate close communication between the parent companies and with the joint venture company • The joint venture faced difficutlies to continue due to the inability of one of the companies in responding to changes in the circumstances and policies of such company (including the changes in the senior management) • When an officer is dispatched from the parent company to serve as an executive (e.g., a representative director) of the joint venture, the parent company may prioritize "representing" the interests of such parent company rather than maximizing the interests of the joint venture business (this could lead to a clash of interests between the parent companies)

Column ② (continued)

Cautions based on the Dissolved Cases of Collaborations or Joint Ventures with Foreign Companies

Cautions

Contractual issues

- The due diligence process will be important when collaborating with foreign companies, so thoroughly managing the company’s own documents and preparing the company’s business analysis in advance of transaction negotiations will be necessary
- Understanding detailed contractual provisions which are common to foreign contracts (such as representations and warranties, exit strategies (including eventual acquisition by one party), and indemnification clauses) as well as negotiation styles and the ways of thinking will be necessary
- It will be important to agree on contractual provisions (deadlock, non-competition clauses, governing law, provisions regarding dispute resolution and dissolution, etc.) by assessing the possibility and the risks of disputes that may arise with the collaboration partner and the dissolution. It is also necessary to recognize that a resolution based on the “discussion in good faith" clause may not be accepted by foreign companies
- By recognizing that joint ventures and capital allicances are not permanent and future adjustments would be required, the parties need to reflect various contemplated situations in the terms and conditions of the agreement

Governance

- Each party's authority, rights and roles relating to the collaboration or joint venture should be documented to foster a mutual understanding between the parties, and regular management and business reporting meetings should be held
- It is necessary to understand the compliance of the collaboration partner and implement compliance programs in accordance with Japanese laws and regulations
- It is important to operate the board of directors in accordance with the transparency and ESG perspectives which may be required by the collaboration partner

Business issues

- It is important to recognize that contractual and governance considerations are only a methodology for smoothly advancing the collaboration, thus it is necessary to consider substantive and persuasive justifications as to why the company will collaborate with the foreign company
- It is importan to share the company’s visions and goals with the collaboration partner thoroughly, clearly, and continuously
- It is important to communicate the above two points at all levels within the company and form an organizational consensus

Column ③

Utilization of Collaborations and Joint Ventures with Foreign Companies to Enhance Management at SMEs

- As the business environments are changing rapidly, small and medium-sized enterprises are also required to objectively analyze the market conditions surrounding their businesses, consider what values they can provide through their businesses, and develop effective strategies for their businesses. Upon doing so, **collaborations or joint ventures with foreign companies could be one of the options, amimng to expand sales channels in the overseas markets**

- However, small and medium-sized enterprises, due to their limited management resources, may consider collaborations or joint ventures with foreign companies, but may confront difficulties to organize internal systems or communicate in English. As a result, they may decide not to take concrete actions or may end up abandoning the idea of a collaboration or joint venture with foreign companies

- Examining case studies of small and medium-sized enterprises that carried out collaborations or joint ventures with foreign companies, it can be analyzed that **these companies took measures such as using interpreters and hiring language specialists, selecting appropriate collaboration partners that respect the company's characteristics and strengths, actively utilizing support from external experts, and adopting flexible management policies to facilitate smooth collaboration**

Actual voices from SMEs that collaborated with foreign companies

- By negotiating with the foreign company **through an interpreter**, the company was able to **communicate** smoothly without worrying about the language barrier
- One of the reasons for selecting the current foreign collaboration partner is that **the company felt that the partner would respect the company’s brand, quality, and autonomy**
- As for determining business details between the foreign and Japanese companies, the company valued **the intentions of each party to combine the best of both sides to create the best possible solutions together,** rather than discussing which party was right or wrong
- The company was previously conducting accounting operations in accordance with Japanese accounting standards, **but to collaborate with a foreign company the company had to comply with the international accounting standards, and so the company hired an external company.** Thus, despite the shortage of human resources, financial reports have been provided to the foreign company without any problems
- **Among the regional banks** that often do business with small and medium-sized enterprises, **there are some banks that support collaborations with foreign companies to address management issues such as expanding SMEs’ overseas sales channels**. Thus, it may be useful to consult with such regional banks from the business planning stage

4.4 Definitions and explanations of terms 1/2

Term		Explanation
M&A-related	Inbound M&A transactions	M&A (mergers and acquisitions) with Japan companies that utilize the foreign capital of a foreign operating company, foreign PE fund, etc. In this research, this term refers to “mergers”, “acquisitions”, and ‘business transfers’ (see p.6 for the definitions of “merger”, etc.)
	Foreign company / Foreign operating company	- Companies and businesses that have their practical headquarters functions outside Japan. - This includes companies that have received foreign capital investment and are registered as corporations in Japan (so-called foreign-affiliated companies).
	Buyer/Investor	The entity which acquires shares of the target company
	Seller	The entity which holds the shares in a company and sells them to the buyer.
	Target company	The company which is targeted for sale in an M&A.
	Business portfolio	The composition of businesses in operation to which a company allocates business resources.
	Minority investment	A minority investment refers to acquiring less than 50% of the shares of a target company.
Management indicators	KPI	An abbreviation of Key Performance Indicator. KPI are indicators that are quantitatively set for interim goals in order to achieve a final goal.
Other	Small and medium-sized enterprises (SMEs)	A company meeting the following requirements stipulated in Article 2 of the Small and Medium-sized Enterprise Basic Act: - For Manufacturing and other industries: 300 employees or less, capital of 300 million yen or less - For Wholesale business: 100 employees or less, capital of 100 million yen or less - For Retail: 50 employees or less, capital of 50 million yen or less - For Service industry: 100 employees or less, capital of 50 million yen or less
	Synergy	A synergistic or multiplying effect between companies or businesses
	Corporate governance /governance	A system for monitoring and control to ensure fair judgment and operation in corporate management.

4.4 Definitions and explanations of terms 2/2

Case study No.	Term	Explanation
②	Pop-up store	A shop which is set up for a relatively short period of time, from roughly a few days to a few weeks
④	Enterprise architecture	A mechanism for improving operations and systems from the perspective of "total optimization" in order to quickly respond to changes in the social environment, including customer needs, and information technology itself
④	RFI (Request For Information)	An abbreviation for “Request For Information”. An RFI is a document issued by companies and government agencies when they request basic information, technical information, product information, etc. from system integrators and vendors when selecting products or services, planning outsourcing, bidding, procurement, etc.
⑩	High Voltage Direct Current (HVDC) business	HVDC is a system that transmits electricity at high voltage "direct current." It has the advantages of having little transmission loss, being able to transmit large amounts of electricity over long distances, and being suitable for connecting grids with different frequencies It is a solution to realize renewable energy as a primary power source, including large-scale grid connection of renewable energy and long-distance transmission to areas of high demand Source: Hitachi, Ltd. "Toward the realization of wide-area interconnection and long-distance power transmission - A noteworthy solution, High Voltage Direct Current (HVDC)" (https://www.hitachi.co.jp/products/energy/portal/case_studies/case_003.html)
⑪	Wealth management	A general term for services that comprehensively and appropriately manage assets held by individuals

【related website】

- ■ INVEST JAPAN（METI）
  https://www.meti.go.jp/english/policy/external_economy/investment/index.html
- ■ The Study Group for Collaboration and Joint Venture Cases Between Japanese and Foreign Companies
  https://www.meti.go.jp/english/policy/external_economy/investment/sg_jv.html
- ■ Case Studies Relating to Collaborations and Joint Ventures between Japanese and Foreign Companies in Japan companies Compiled（website）
  https://www.meti.go.jp/english/press/2024/0424_003.html
- ■ Case Studies relating to the use of inbound M&A transactions（website）
  https://www.meti.go.jp/english/press/2023/pdf/0419_002a.pdf

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