M&A by Japanese Corporations

Business Weekly

2008.9.29
Spending on M&A in 2008

- Japanese corporations have spent $43.3 b in M&A in the first 8 months of 2008.
- The amount is double the total in 2007.
Past M&A Experience

• In late 1980s, the stock and real estate markets in Japan were at their peaks after long period of prosperity.

• Japanese corporations were interested in prestigious landmarks in the west.
  - Rockefeller Center
  - Pebble Beach Golf Course

• This time, they look for prudent investment returns.
What Are The Reasons behind This Wave of M&A?

• Economic contraction since late 2007 has depreciated the stock prices of most companies abroad.

• Pressure towards globalization by Japanese corporations.

• As major Japanese corporations expand in abroad through M&A, their suppliers also feel the need to follow.
Targets

• Technology and Channel
  – Pharmaceutical companies
  – Name brands
Japanese Management

- The culture and management of Japanese corporations are quite different from those of western companies.
  - Group management vs. Elite management
  - Long term perspectives vs. Short term perspectives
  - Slow decision making vs. Quick decision making
  - Reward by seniority/loyalty vs. Reward by contribution/merit
Example of Failure

- Matsushita acquired film producer MCA Inc.
- Culture differences and communications barriers.
- Serious management conflicts.
- In 1995, Matsushita had to sell out its 80% share.
The Chinese corporations are expected to engage in M&A activities. What may be their interests?