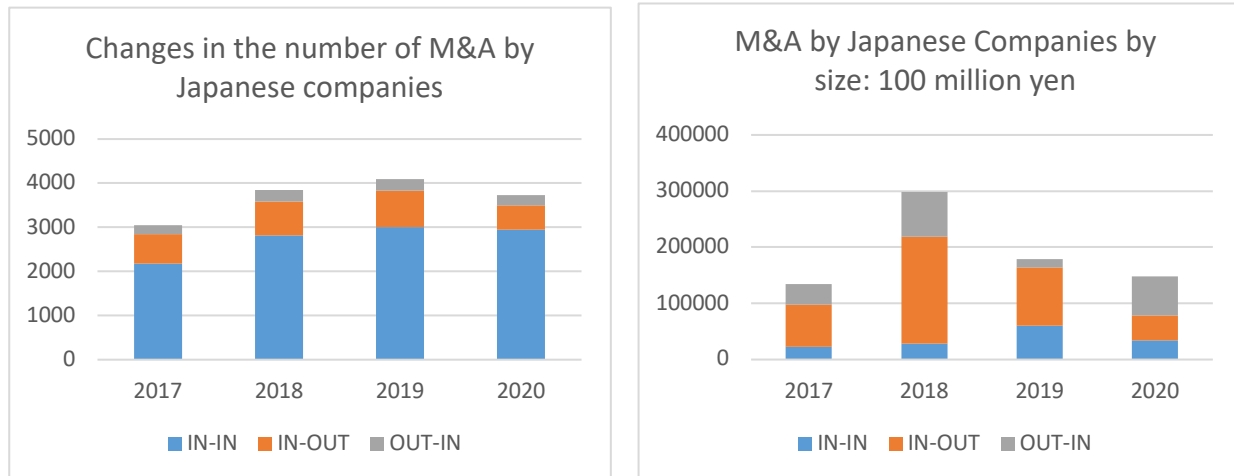


Overview of M&A in Japan for the year 2020

Trends in the number and value of M&A by Japanese companies over the past four years (all data below is based on research by RECOF Data)



As you can see here, domestic deals (IN-IN) account for 70% to 75% of the total number of cases, while cross-border deals (IN-OUT and OUT-IN) account for 80% to 90% of the total value. The number of cases, which had been steadily increasing until 2019, was still significantly impacted by Covid-19 infection, resulting in 91.2% of the previous year. The number of domestic deals decreased only slightly from 3,000 to 2,944 cases, and the demand is still strong. To the contrary, the number of cross-border deals decreased by 32.6% for IN-OUT and 12.9% for OUT-IN, showing the significant impact of the difficulty of physical movement across countries.

In terms of size, 2018 is an exception, as Takeda Pharmaceutical's acquisition of Shire, with a transaction value approaching 7 trillion yen, and SoftBank Group's sale of Sprint Corporation (6.4 trillion yen) raised the value in total. In 2020, the previous upward trend was reversed and the result was a decrease to 82.8% compared to the previous year. This is largely due to a decline in cross-border deals, which accounts for 80-90% of the value base of total M&A by Japanese company.

On a monthly basis, April and May 2020, when the State of Emergency was declared in Japan, saw a 25% decline in the number of cases compared to the previous year. In fact, at the time of the declaration of the State of Emergency, with the number of positive cases of infectious diseases on the rise, there was an inexplicable sense of anxiety about what would happen if the situation continued as it was, and many companies were not ready for M&A because they had to raise funds to continue their business. The decrease remains at the level of 25% decrease is actually quite surprising.

Against this backdrop, from the summer to autumn of 2020, we were greatly encouraged by a flurry of news about major cross-border deals, which are SoftBank Group's sale of Arm to NVIDIA (4.2 trillion yen), Seven & i's acquisition of the third-largest convenience store chain in the U.S. (2.2 trillion yen), and Singapore's Wuthelam's acquisition of Nippon Paint (1.3 trillion yen). This was followed by an 18.6% year-on-year increase in the number of cases in November, resulting in a recovery in the number of cases to almost the same level as in 2018. This shows that even in the midst of such fierce headwinds, M&A has fully taken root as one of the essential options for growth strategies among Japanese companies.