Deloitte.

Mergers & Acquisitions

Deal or no deal: successfully executing M&A transactions in Japan

April 2014

Topic

Laws and Regulations

Commercial & Operational Diligence

Negotiations

Purchase Price

Financial Due Diligence

Working Capital

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Earn-out

Spin-off

Divestiture

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Financial Statements

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Data room

Projections

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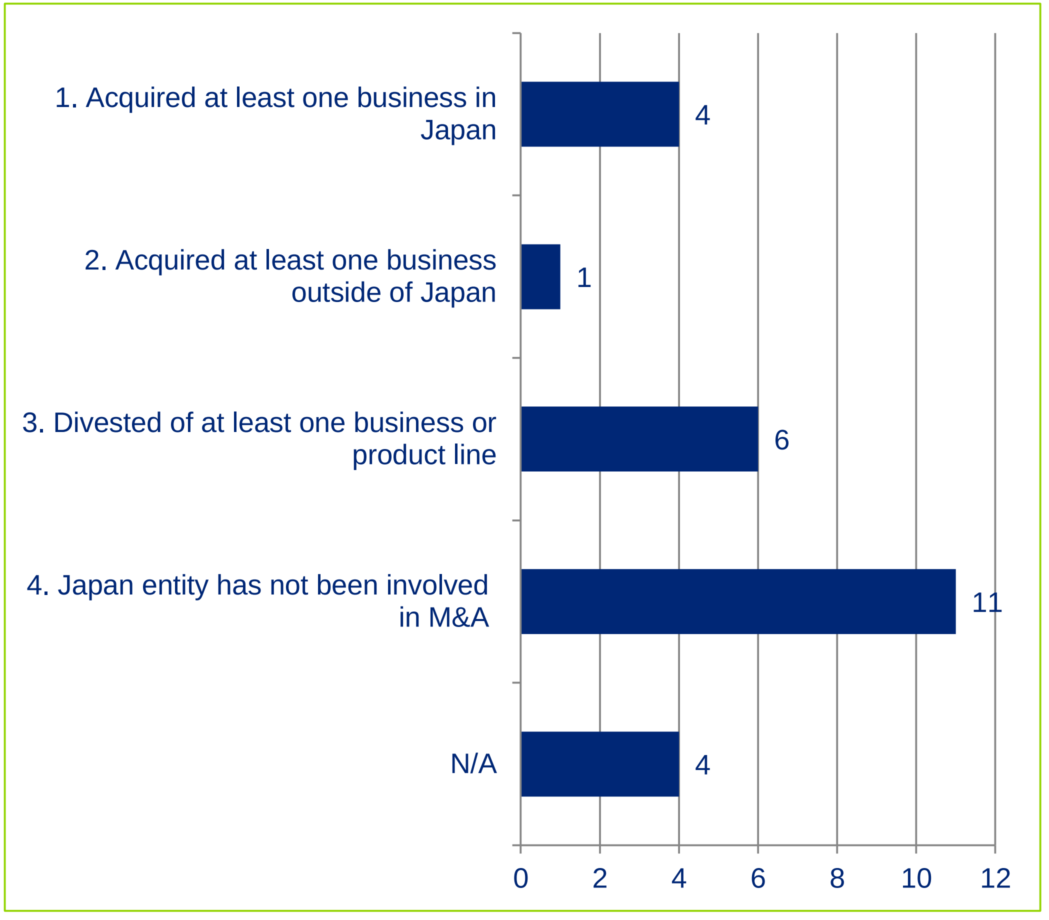
Agenda

- **M&A market trends in Japan**
- **M&A lifecycle (managing the deal process)**
- **Establishing a due diligence scope**
- **M&A legal considerations**
- **Post-merger integration**

M&A market trends in Japan

Polling Question 1
M&A Experience in Japan

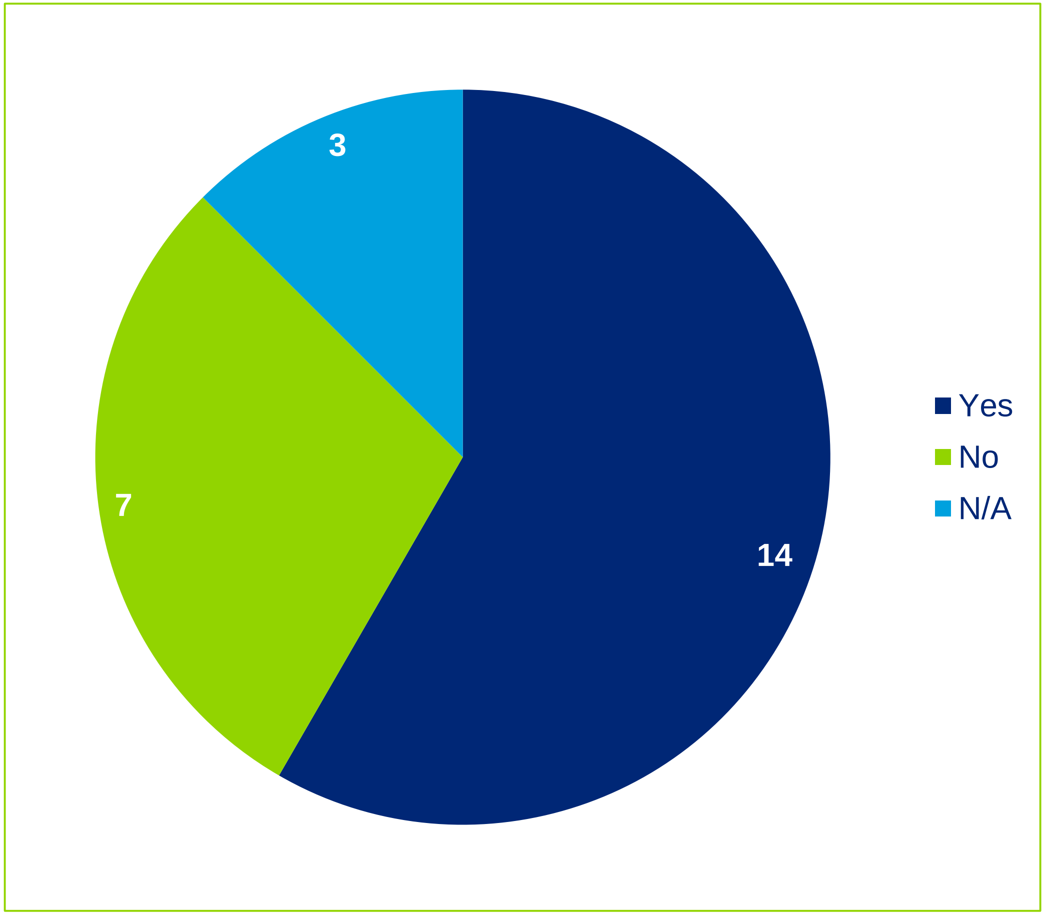
Which types of transactions has your Japanese based entity been involved with in the past 18 months? *(mark all that apply, n=24)*



- In the past 18 months, the majority of Japan entities represented in the roundtable have not been actively involved in M&A, but:
  - Four of the CFOs present have been involved in acquiring a business in Japan
  - One CFO has been leading the acquisition of a business outside of Japan (related to shared services)
  - Some of the CFOs involved in acquisitions mentioned joint ventures as a common form to increase their footprint in Japan
  - Six CFOs have been involved in divesting a business or product line

Polling Question 2
M&A Experience in Japan

Do you think your Japan based entity will be involved with an acquisition or divestiture in the next 2 years? *(mark one, n=24)*



- The majority of entities represented expect M&A activity to affect the Japan subsidiary in the next two years:
  - Many of the CFOs mentioned they are exploring business alliances to strengthen their positioning in Japan
  - Some CFOs plan to buy/ sell product lines
  - Especially the Life Sciences/ Health Care industry aims for in-licensing and out-licensing deals
- Only seven out of 24 CFOs answered they do not expect an acquisition or divestiture in the near future

Japan M&A market

Japan deal activity snapshot:

- 2012 – 1,848 deals worth ¥12.3tn (US$123bn) (Inbound - $5.7bn, Outbound $76.1bn, Domestic $40.9bn)
- 2013 – 2,048 deals worth ¥8.5tn (US$85bn) (Inbound - $15.3bn, Outbound $52.4bn, Domestic $17.1bn)
- YTD Mar 2014 - 574 deals worth ¥2.6tn (US$26bn) (Inbound - $1.4bn, Outbound $22.1bn, Domestic $2.8bn)

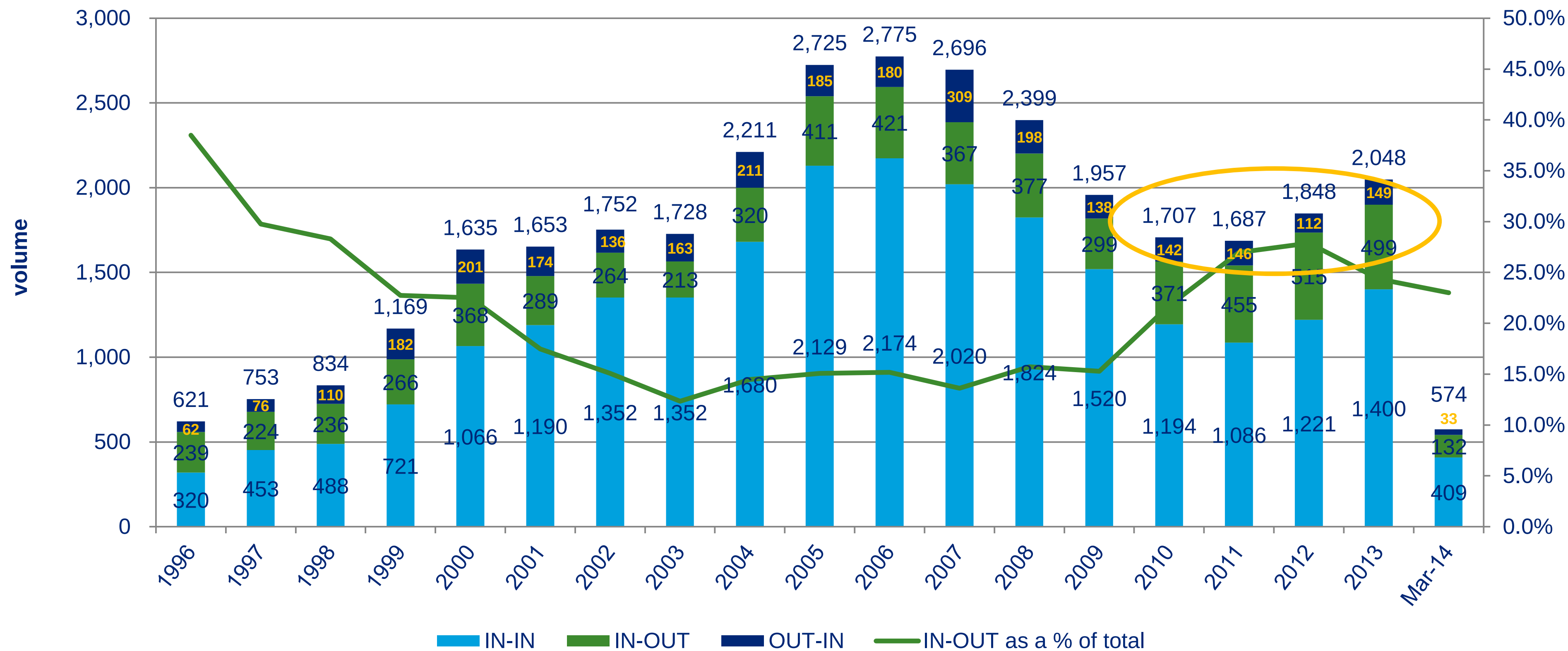
Recent top deals:

Date	Buyer	Seller	Market	Country	Value JPY(m)
Oct 2012	Softbank Corp.	Sprint Nextel Corp.	Outbound	USA	1,812,100
Jan 2014	Suntory Holdings	Beam Inc.	Outbound	USA	1,679,360
Sep 2013	Applied Materials Inc	Tokyo Electron Ltd	Inbound	Japan	920,263
Jul 2013	Bank of Tokyo – Mitsubishi UFJ	Bank of Ayudhya PCL	Outbound	Thailand	676,088
Sep 2013	Lixil Group	Grohe AG	Outbound	Germany	381,600

Source: MARR database from Recof and Mergermarket

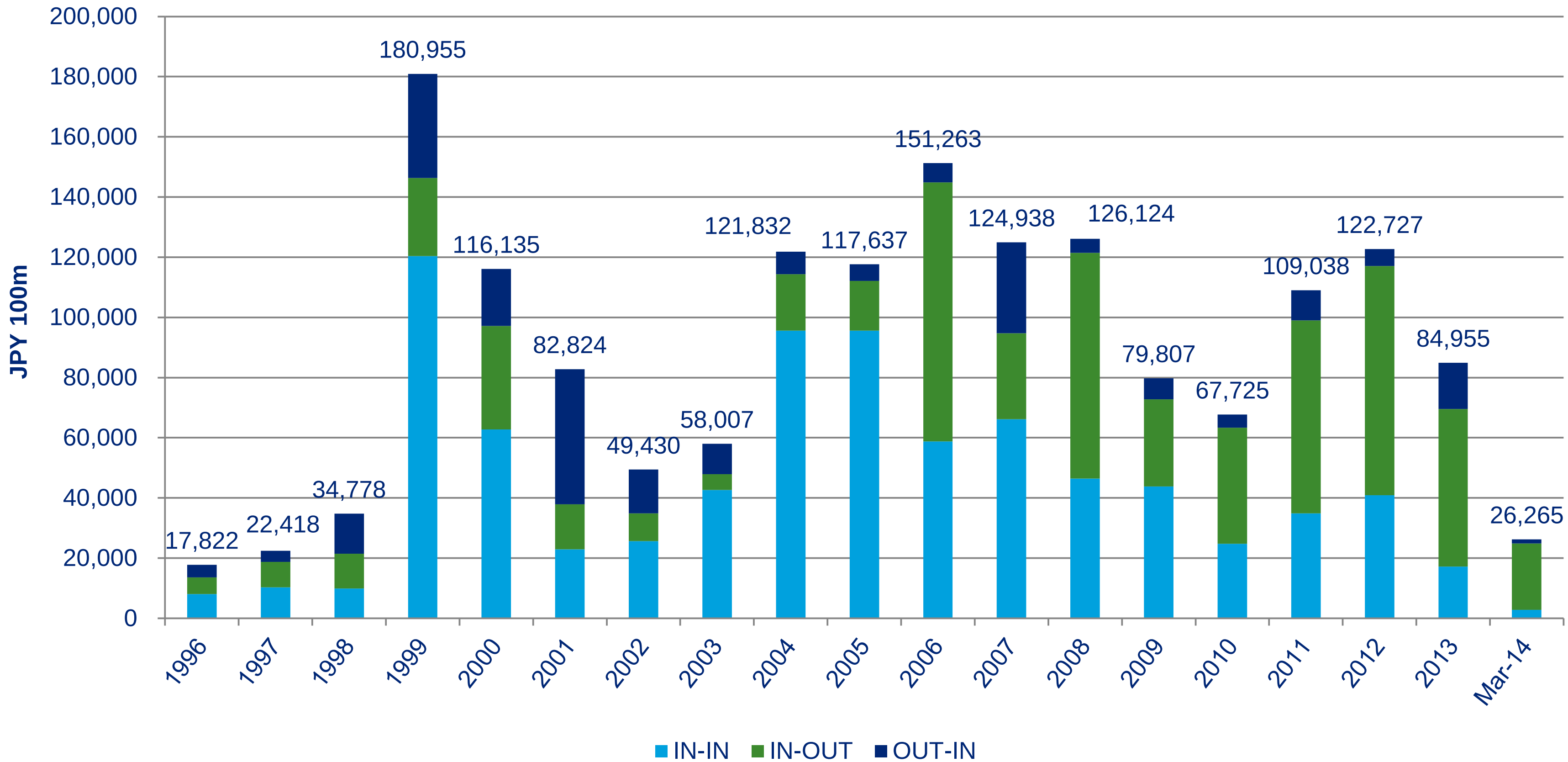
Japan M&A market trend (1996-) – Deal volume

Despite a decrease in overall M&A deal volume due to the financial crisis in 2008, the outbound deal volume still increased as a percentage of overall deals – a sign that Japanese companies still need to invest overseas in order to continue to grow. Currently, approximately 1 of 4 deals involves the acquisition of a foreign (non Japanese) company.



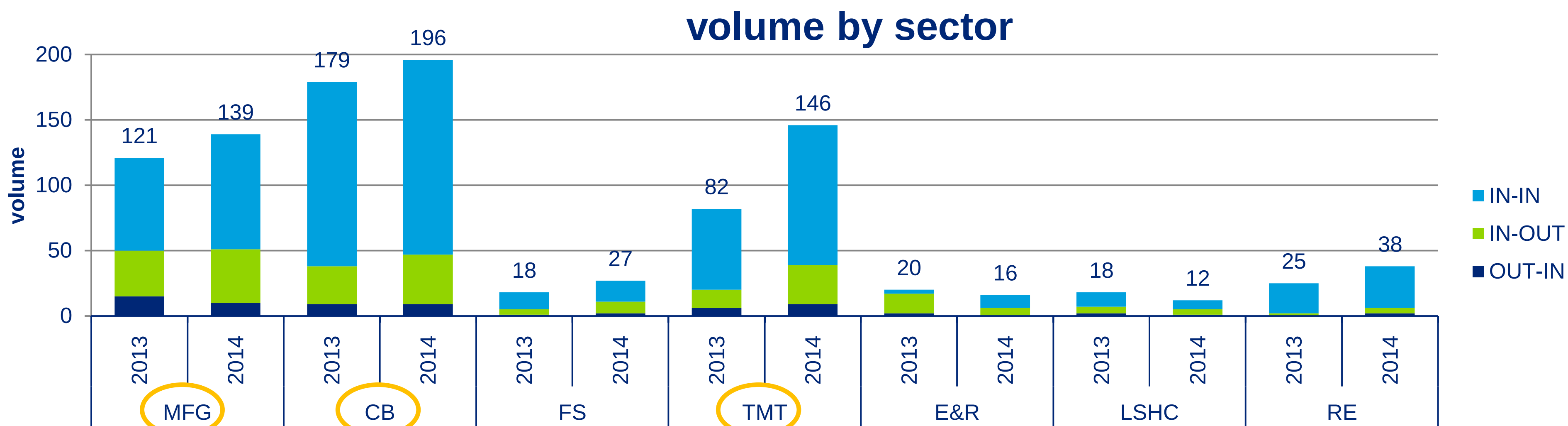
Source: MARR database from Recof

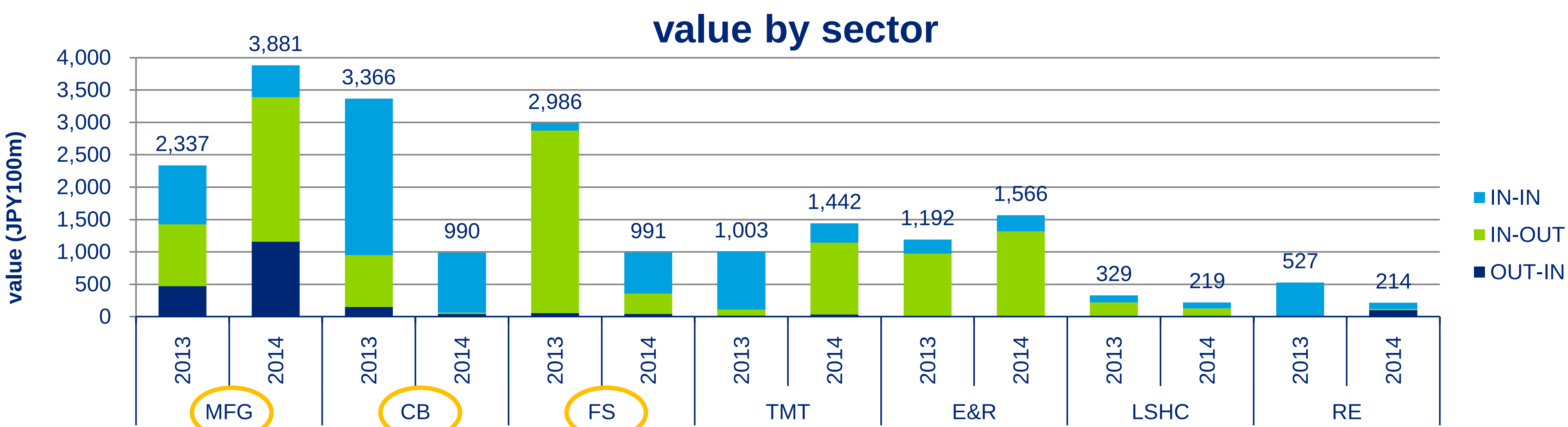
Japan M&A market trend (1996-) – Deal Value



Source: MARR database from Recof

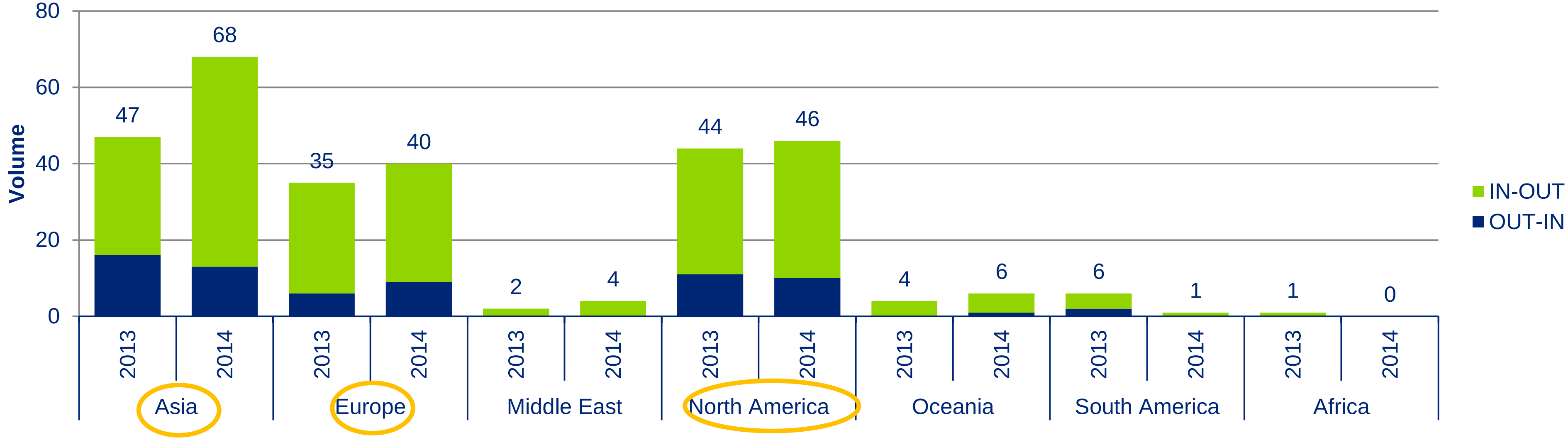
Japan M&A deals: by sector (year-to-date – March)

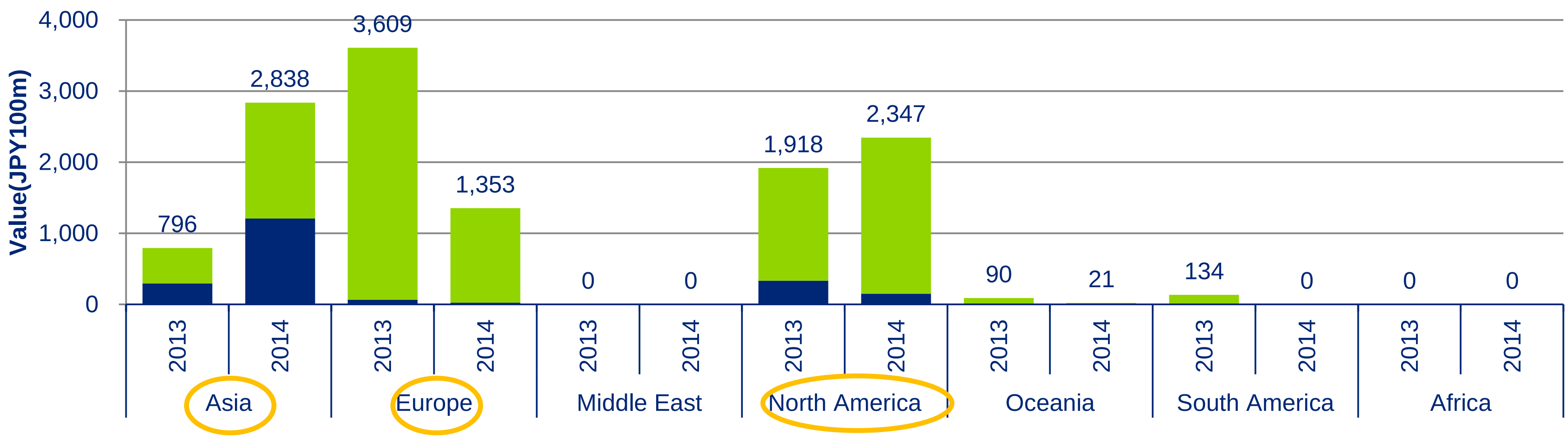




Source: MARR database from Recof | * 2014 results exclude the JPY 1.6 trillion Suntory deal from the CB sector

Japan M&A deals: by region (year-to-date – March)





Source: MARR database from Recof | * 2014 results exclude the JPY 1.6 trillion Suntory deal from North America

M&A lifecycle
(managing the deal process)

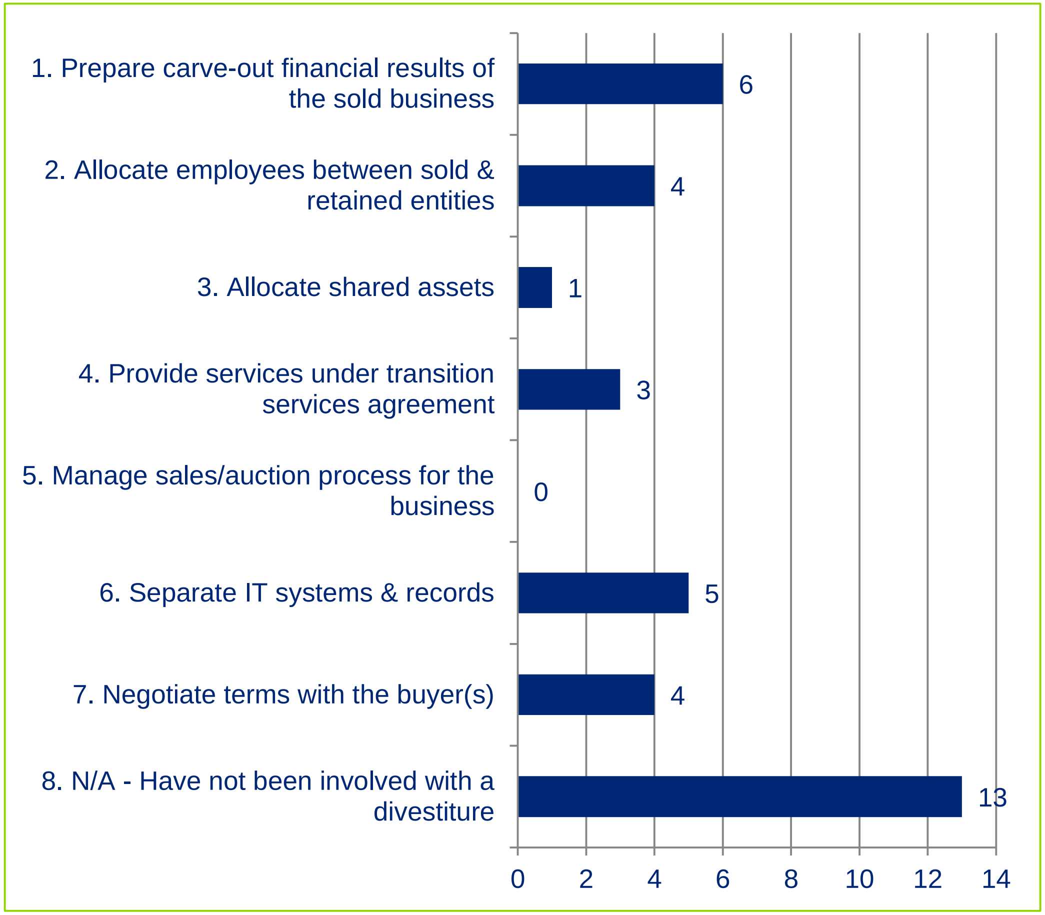
Polling Question 3
Acquiring a Business

When considering an acquisition, what activities are often the most challenging? *(mark all that apply, n=24)*

- One in four CFOs thinks identifying a target to purchase, poses a challenge
- The next hurdle is negotiating with the seller, especially starting negotiations and closing the deal with often times inexperienced "local" counterparts can be difficult
- More than half of the CFOs consider post-merger integration as the most challenging activity, and many think realizing synergies is the next major challenge to master
- Culture, process inefficiencies on the target side, and strict employee rights in Japan require experienced management to lead through the integration
- But the majority of roundtable participants consider the M&A Lifecycle "manageable", even as a foreign company in Japan

Polling Question 4
Selling a Business

When selling a business or product line, what activities are often the most challenging? *(mark all that apply, n=24)*



- More than half of the CFOs have not been involved with a divestiture
- The CFOs with experience in divesting consider carving out financial results of the sold business a major challenge
- Especially non-standard items, e.g. the valuation of intellectual property with uncertain future returns can pose a challenge for CFOs and finance teams
- Next high on the list is the proper separation on an operational level – employees, IT, shared assets need to be reliably allocated to either side

The M&A lifecycle

Often times Japan CFO's of foreign owned companies are more involved with the integration portion of the lifecycle for acquisitions or the carve-out financial statement preparation for divestitures.

Phase 1 Preliminary Phase | **Phase 2** Execution Phase | **Phase 3** Post M&A

Buyer

- M&A strategy planning
- Target selection
- Conclude Non-disclosure Agreement
- Receive and analyze IM
- Plan deal structure
- Initially assess business value
- Provide letter of interest
- Negotiate LOI contents
- Conclude LOI
- Conduct diligence
- Valuation
- Provide final offer
- Negotiate definitive agreement
- Sign definitive agreement
- Prepare investor relations documents
- Closing
- Price adjustment negotiation
- Integration

Buy Side Support

- Preliminary Diligence
- Preliminary Valuation
- Preliminary PPA
- Due Diligence
- Financial Modeling
- Valuation
- Transaction Structuring
- Internal Discussion Support (internal approval materials, bid support)
- Definitive Agreement Advisory
- Closing Diligence
- PPA
- PMI
  - Strategy
  - Synergy capture
  - Financial and accounting
  - Managerial
  - Internal controls
  - Human resources
  - Information systems
- Process Management

Seller

- Identify buyer candidates
- Select buyer candidates
- Consider deal structure
- Prepare business projections
- Initially assess business value
- Conclude Non-disclosure agreement
- Prepare and distribute IM
- Perform management presentation
- Receive letter of intent
- Negotiate LOI contents
- Open and operate data room
- Accept and respond due diligence
- Receive final offer
- Negotiate definitive agreement
- Sign definitive agreement
- Prepare IR documents
- Negotiate transition services
- Prepare closing
- Accept and respond closing
- Price adjustment negotiation

Sell-side Support

- Basic Research
Business Plan Preparation Support
IM Preparation Support
- Preliminary Valuation
- Sell-side Financial Diligence
Diligence Report Preparation
Diligence Issue Summary
- Valuation
- Open and Operate Data Room Support
- Definitive Agreement Advisory
- Closing Preparation Assistance
  - Advise on terms and conditions
  - Assistance with closing balance sheet preparation
- New Investment Activities
- Transaction Structuring
- Carve-out Financial Statements (Pro-forma calculation, issue summary, detailed calculations)
- Process Management

Managing the "acquisition" process

	Step 1 Preliminary Consensus Building	Step 2 Definitive Consensus Building	Step 3 Closing
Process	Team Building / Kick-off / Requesting Documents & Analysis; Preliminary Analysis/ Preliminary Price Simulation; LOI *2 Negotiation; Signing LOI	DD *3 / Management Interview; Reflecting DD findings to price simulation / Determine the structure; DA Negotiation; Signing DA	Payment / Realizing asset & liability, transferring share certificate/ Procedures required for post-merger
Client	■ Decision making of fundamental strategies ■ Decision making of direction of negotiation ■ Constructing business scenario ■ Draft/ signing LOI (with the support of external legal advisors)	■ Preparation of Management Interview ■ Decision making of direction of negotiation ■ Draft/ signing DA *4(with the support of external legal advisors)	■ Payment ■ Realizing asset & liability, transferring share certificate ■ Procedures required for post-merger
Advisor Assistance¹	■ Coordination of parties, advising communication skill to develop consensus both in-out of the company, controlling deal process, time management and etc		
	■ Thrashing out tasks at the preliminary stage & drafting schedule ■ Drafting information request list/ managing disclosed information ■ Supporting constructing business scenario based upon preliminary disclosed information, preliminary price simulations, validation of optimum structure ■ Negotiation of LOI/ support in drafting LOI	■ Coordination of Management Interview ■ Coordination of DD ■ Restructuring business scenario based upon DD findings, updating price simulation, validation of optimum structure ■ Negotiation of DA/ support in drafting DA	■ Drafting task list for closing, management of schedule, Support in proceeding procedures required for post-merger

*1 Services may vary depending on deal type | *2 Letter of Intent | *3 Due Diligence | *4 Definitive Agreement

Managing the “divestiture” process

	Step 1 List-up ～ 1st round	Step 2 2nd round～Definitive Agreement	Step 3 Closing
Process	Team Building / Kick-off / Making list of selling candidate / Dispatching teaser Signing CA *2 / IM*3、Dispatching 1st round outline Q&A Correspond -ence 1st round bid	Dispatching 2nd round outline DD/ Management Interview 2nd round bid DA negotiation	Receipt of consideration / Realizing asset & liability, transferring share certificate/ Procedures required for post-merger
Client	■ Decision making of fundamental strategies ■ Preparing disclosing documents & determining business forecast ■ Drafting/ signing CA (with the support of external legal advisors)	■ Preparation of Management Interview ■ Decision making of direction of negotiation ■ Building strategies on DA negotiation ■ Draft/ signing DA (with the support of external legal advisors)	■ Fulfilling CPs/ covenants correspondence ➢ Approval of change in shareholding structure ➢ Signing TSA *4(with the support of external legal advisors)
Advisor Services[1]	■ Coordination of parties, advising communication skill to develop consensus both in-out of the company, controlling deal process, time management and etc		
	■ Thrashing out tasks at the preliminary stage & drafting schedule ■ Drafting/ updating candidate list ■ Contacting the candidate ■ Arrangement of disclosed documents ■ Stand-alone cost based price simulation, validation of optimum structure ■ Drafting Teaser ■ Drafting IM/ Process letter	■ Coordination of Management Interview ■ Coordination of DD ■ Updating price simulation based upon DD findings, validation of optimum structure ■ Negotiation of DA/ support in drafting DA	■ Drafting task list for closing, management of schedule, Support in proceeding procedures required for post-merger

*1 Services may vary depending on deal type | *2 Confidentiality Agreement | *3 Information Memorandum | *4 Transition Service Agreement

Establishing a due diligence scope

Establishing a due diligence scope

So you need to perform due diligence…where to start?

Most companies will perform at least the following types of due diligence and will often use external consultants:

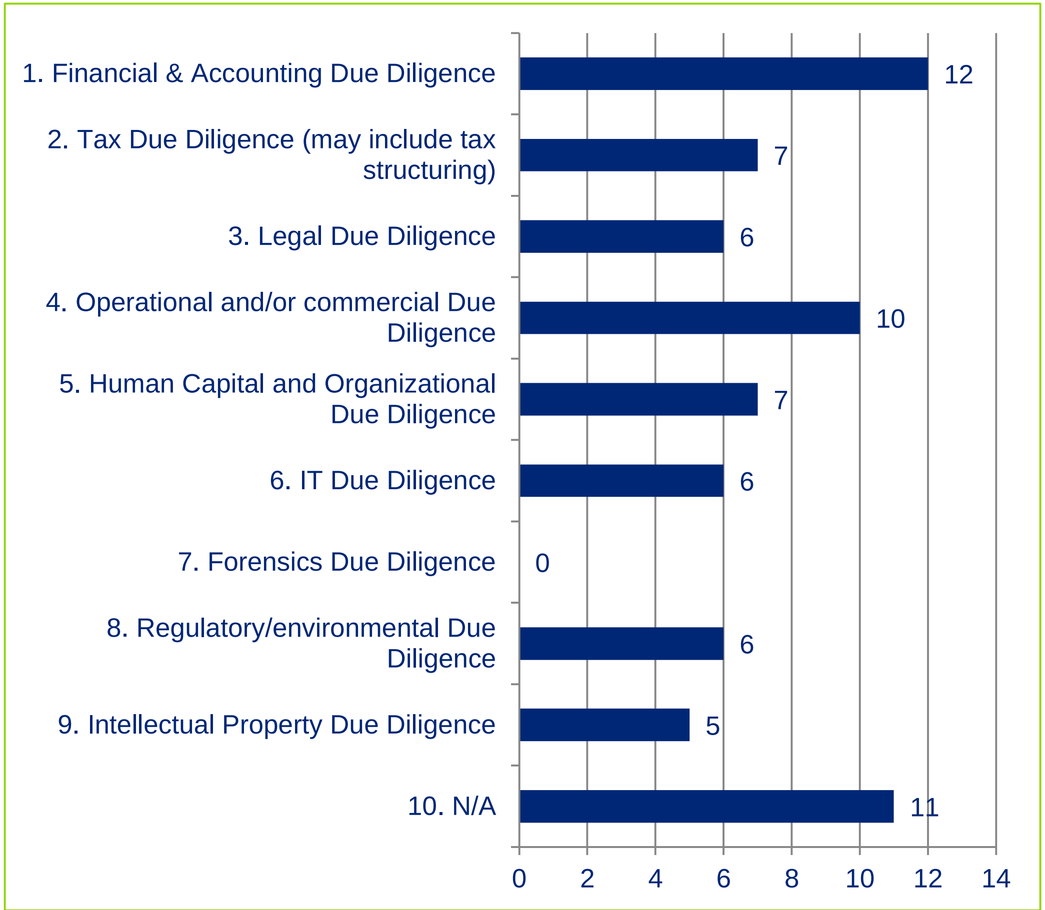
- Financial and accounting due diligence
- Tax due diligence (may include tax structuring)
- Legal due diligence

Other common types of due diligence – often performed internally or with consultants:

- Operational and/ or commercial due diligence
- Human capital and organizational due diligence
- IT due diligence
- Forensic due diligence
- Regulatory/ environmental due diligence
- Intellectual property due diligence

Polling Question 5
Performing Due Diligence

Which types of Due Diligence have you performed in the past 2 years for a potential transaction? *(mark all that apply, n=24)*



- Most of the CFOs have chosen a broad approach to due diligence – looking into all relevant areas of the business to at least some extent
- The importance of each DD activity differs by transaction, target country and deemed reliability of the target's data - Forensics DD plays only a minor role for inbound deals into Japan, but is high on the agenda when acquiring in China and South-East Asia
- Finance & Accounting DD is the standard for any transaction, mostly accompanied by operational and commercial DD

Financial due diligence

Objectives	Common Areas of Focus
▪ Confirm that the business is what the seller has represented with a focus on matters such as: ▪ Quality of earnings and cash flows (with a focus on identifying normal, recurring earnings and cash flows) ▪ Quality of assets and adequacy of historical capital expenditures ▪ Identify debt-like obligations ▪ Identification of hidden costs, contingencies and commitments ▪ Understand matters that may have a material impact, positive or negative ▪ Identify matters that could cause the buyer to walk away from the deal, reduce (or increase) the purchase price, seek additional contractual protections, or change post-closing plans	▪ Quality of earnings and adjustments to calculate normalized EBITDA ▪ Revenues and gross margins by product and geography ▪ Product pricing and discounting ▪ Major customers/ supplies, concentration risk, obligations in agreements ▪ Trends in revenue and expenses ▪ Operating costs with a focus on fixed and variable costs, hedging and FX impacts ▪ Nature and breakdown of cost of goods sold by component (materials, direct labor, overhead etc.) ▪ Significant non-recurring, unusual, non-cash and out-of-period charges and credits ▪ If a carve-out, focus on allocations and services being provided by parent company ▪ Related party transactions ▪ Working capital and cash flows ▪ Trends and seasonality of working capital, non-recurring items, understand vendor and customer payment terms, peak/ trough analysis (cash needs), impacts on purchase agreement ▪ Capital expenditure requirements ▪ Maintenance vs. growth and budget vs. actual CAPEX; deferred CAPEX ▪ Quality of assets ▪ Analysis of the trends in the balance sheet accounts and their compilation ▪ Nature and timing of recorded liabilities ▪ Contingent or unrecorded liabilities and other debt-like items ▪ Identification of loans, leases, litigation, ARO’s, pension liabilities, taxes, trapped or restricted cash, self-insurance, contingent consideration to be paid, change-in-control payments, rebates/ warranties ▪ Provide high-level comments on draft stock purchase agreement ▪ Focus on purchase price adjustment mechanism, working capital, debt definition and other financial statement related matters

Financial due diligence – Normalized EBITDA

Common Normalizing EBITDA Adjustments

- Changes in business units
  - Acquisition/ divestiture
  - Major product launches/ cancellations
- Non-recurring/ unusual items
  - Restructuring activities (i.e. severance)
  - Legal expenses
  - Insurance proceeds
  - Bad debt/ inventory write-offs
- Non-operating items
  - Gain/ loss on asset sales
  - Components of other income/ expense
  - Foreign currency
- Non-cash items
  - Stock compensation expense
  - Deferred revenues
  - Pension (cash cost versus expense)
- Out-of-period revenue and expenses
  - Reserve adjustments
- Pro forma adjustments
  - Stand alone costs
  - Public to private costs

Tax due diligence (may include tax structuring)

Objectives	Common Areas of Focus

▪ For stock transactions, analyze the Target's tax situation to determine if reported tax liabilities are accurate or if there are tax liabilities that may exist that are currently unknown or undisclosed
▪ Understand historical compliance with tax laws
▪ Analyze target business to determine a tax efficient structure that achieves business and operational objectives
▪ Understand any NOL limitations or disallowed deductions
▪ Identification of trapped offshore cash and other exposures
	▪ Common areas of focus – national corporate income tax:
	  ▪ Corporate tax return filing status
	  ▪ Material tax issues that significantly affect the tax position
	  ▪ Tax audit history including any ongoing tax audits
	  ▪ Material tax positions taken and/ or planned to be taken
	  ▪ Transfer pricing and related party transactions
	  ▪ M&A and reorganization history
	  ▪ Availability of NOL's
	  ▪ State and local tax compliance
	  ▪ Tax planning currently considered and potential for step up, tax effective financing/ debt placement, disposition planning, and utilization of tax attributes
	  ▪ Future reorganization and/ or M&As currently considered
	  ▪ Foreign related party's tax situation
	▪ Other areas of focus for certain transactions
	  ▪ Local taxes, consumption taxes, tax structuring for the proposed transaction
	  ▪ Internal tax department operations
	▪ Provide high-level tax comments on draft stock purchase agreement
	  ▪ Tax warranties and indemnifications

Points to consider with Financial/ Tax Due Diligence in Japan

Topic	Observations

▪ Target personnel with knowledge of the transaction	▪ Japan companies often limit the number of people who know about the transaction.
	▪ Selling a company to a non-Japanese company can be perceived as a negative event by the employees (fear of being terminated or having the company operated in a cost-constrained fashion).
	  ▪ CEO/ CFO and other key execs are often the only people initially aware of the transaction often resulting in:
	    ▪ Limited data provided and inadequate explanations to questions
	    ▪ Extended DD process

▪ Target employee's authority	▪ Often times Japanese employees that are tasked with providing data and answering questions lack the authority to expand on an explanation or provide additional data resulting in: ▪ Extended DD process while permission is requested and granted
▪ Information sharing in a JV arrangement	▪ Japanese JV partner may be unwilling to share certain information until the foreign company shares certain information. ▪ Extended DD process while the parties go back and forth.
▪ Target company's financial advisor	▪ Buyer and/ or seller don't always use a financial advisor ▪ Given the differences in culture, language, and western business dealings, transactions where the buyer and seller both have a financial advisor helping them manage the process often times experience a more efficient deal process.

▪ Data requests	▪ Japan culture is one that considers providing quality information as a high priority and this could result in the target company taking longer than you would expect to prepare diligence materials.
	  ▪ Meetings are often required to clarify any ambiguity with requests.
	  ▪ Target companies in Japan often prefer to meet advisors in person – generally helps facilitate obtaining data and receiving responses to Q&A
	▪ Public companies are reluctant to provide draft financials until the data is made public

Points to consider with Financial/ Tax Due Diligence in Japan

Topic	Observations
▪ Language preference	▪ In general, Japan executives have a basic understanding of the English language and are willing to conduct meetings in English. ▪ Executing diligence by soliciting lower level personnel in the company to prepare documents is typically done in Japanese since those employees often have limited English capability. ▪ Data requests and questions are often requested in Japanese for a company to efficiently answer. Translation may be necessary. Financial advisors can help.
▪ Items below EBIT	▪ Japan companies often classify items as non-operational that a buyer might consider as part of operations. ▪ Careful review of the items recorded below EBIT is needed to effectively analyze baseline costs. ▪ EBIT is used more frequently in Japan than EBITDA as JGAAP requires goodwill amortization and management teams often desire to understand the impact of the amortization on earnings.
▪ Audit workpapers	▪ In the US, it is common for the M&A team to review audit workpapers of the Target. This review rarely happens in Japan.
▪ Employee Terminations	▪ Employee terminations are difficult and expensive in Japan. May be required to pay for underfunded pension benefits in a carve-out and often times have to offer significant severance (6 – 30 months) ▪ May wish to consider specific human capital and legal advice in these situations
▪ Earnouts and working capital adjustments	▪ Small and medium sized enterprises in Japan often try to avoid earnouts and working capital adjustments. Preference is for a known purchase price.
▪ Financial reporting	▪ SPA may dictate certain financial reporting post close by Target company management or JV partner. ▪ Even though contractually agreed to in the SPA, local Japanese management may be unable to prepare the agreed upon financial reports. Often times, practical remedies are limited.

Legal due diligence

Objectives	Common areas of focus
▪ Analyze legal documents to confirm ownership of key assets (stock, IP, real properties) (link to valuation model) ▪ Analyze legal documents to determine potential exposures (litigation, environmental, regulatory, contingent) ▪ Analyze material agreements to determine if the proposed transaction will trigger a change of control or other counter-party early termination right ▪ Analyze material agreements to determine existence of unfavorable commercial terms that cannot be terminated post-closing ▪ Analyze legal documents to list affiliate transactions (and evaluate whether post-closing transition services required from seller) ▪ Analyze legal documents to identify jointly owned or shared assets	▪ Corporate Organization/ Stock Ledger/ Board & Shareholder Minutes ▪ Material Agreements ▪ Loan Documents and Other Financings ▪ Material Assets/ Intellectual Property ▪ Regulatory Matters/ Permits ▪ Environmental Compliance ▪ Litigation and Disputes ▪ Employee Matters and Work Rules ▪ Related Party Transactions ▪ Prior M&A Agreements

M&A legal considerations

M&A Legal Considerations

General Legal Challenges Faced in Japan M&A Transactions

- Negotiating Dynamics
  - Typically the sole responsibility of the Representative Director (takes longer to finalize and may lead to negotiating frustrations)
  - Typically senior management sits on the Board of Directors, so directors may seek preservation of Board seat post-closing
- Due Diligence
  - No national database for litigation searches
  - Greater reliance on discussions with government regulators (Japanese rules and regulations can be vague, so informal discussions + previewing filings with regulators in advance a common practice)
  - Verbal agreements frequently entered into outside the corners of written agreements
  - Management interviews common source of information
- Post-Merger Integration
  - Only a Japanese organized company can enter into a merger or other statutory combination with a Japanese company, so a buyer may need to add a layer of control through a wholly-owned subsidiary
  - Squeezing out minority shareholders is a time consuming task that requires a change in capital structure
  - Japanese labor laws very pro-employee, so restructuring labor force cannot be assured or may require significant severance payments
  - Employees retain the right to patent inventions made during the course of employment
  - Difficult to terminate long-term contracts (e.g., distribution agreement or franchise agreements), so unfavorable contracts may survive post-closing

M&A Legal Considerations

Japan Acquisition Agreements – Tips to Consider During Negotiations

- Disclosure agreements - No US-equivalent agreement disclosure requirements (or deal surveys), so ascertaining “current market practice” can be subjective
- Non-binding LOI - A non-binding LOI can become binding if a party has led the counter-party to reasonably believe that a definitive agreement would be executed (“breach of trust”)
- Reps & Warranties - buyer’s knowledge of a breach of a R&W or information disclosed to an advisor to buyer during due diligence could prevent a successful indemnification claim by buyer
- Default payments - charactering default payments as a penalty rather than a liquidated damage could be beneficial to a buyer
- Indemnity caps - Indemnity caps typically higher than US market practice (~20% versus Purchase Price)
- Judicial rulings - No punitive damages + no parole evidence rule in Japan (judges may freely determine the evidence presented and make their own findings based on sense of fairness) → out of court settlements are common

M&A Legal Considerations

Regulatory Approvals Commonly Required When Acquiring a Japanese Company

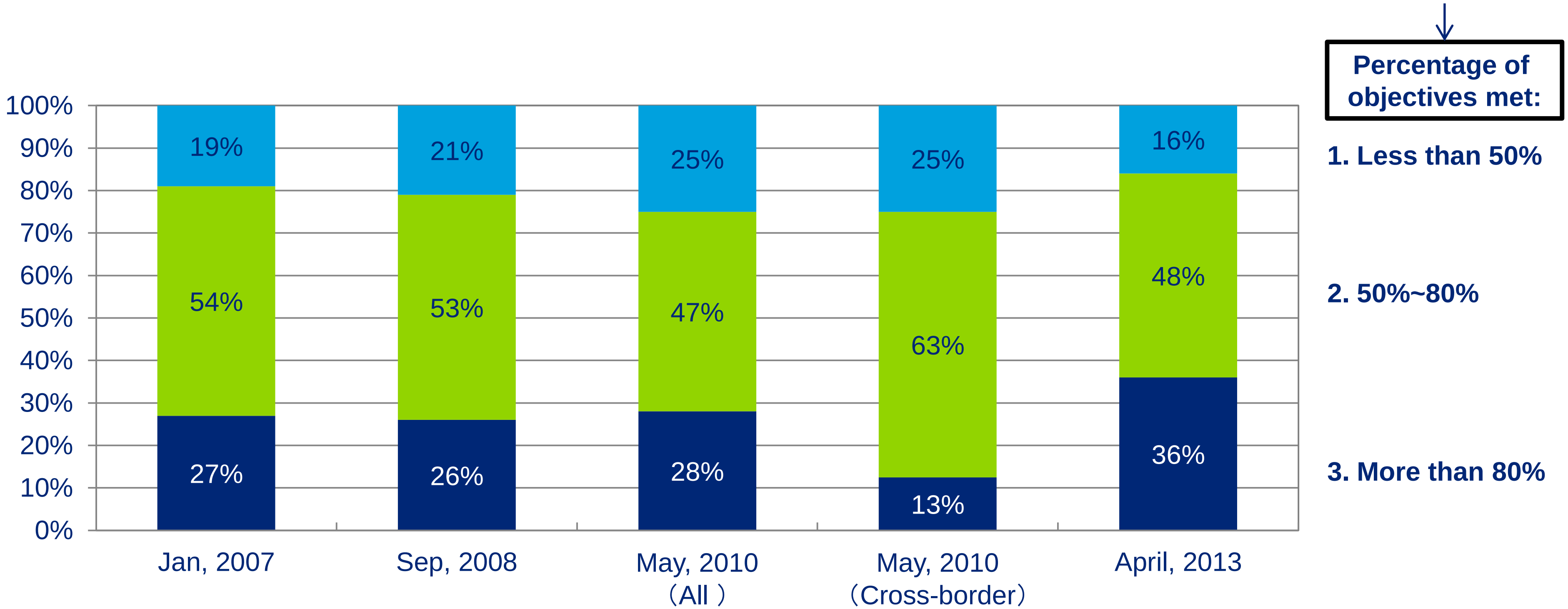
- Antitrust
  - Acquire more than 20% or 50% of the outstanding voting shares, then a filing by the buyer is required with the Japan Fair Trade Commission if during the most recently completed fiscal year, revenues from sales made in Japan by the
    I. buyer and its “corporate group” (as defined under Japanese antitrust laws) exceeded JPY 20 billion, and
    II. target company and its subsidiaries exceeded JPY 5 billion
  - Notification should be filed at least 30 days prior to the target acquisition date
- Foreign Exchange Act Clearance
  - If a foreign buyer acquires (either directly or along with its affiliates) 10% or more of the outstanding shares of a Japanese company, then the buyer must file a notification with Japan’s Ministry of Finance and the Japanese economic ministry overseeing the industry in which the target company operates by the 15th day of the month after the month in which the acquisition closes
  - A filing before an acquisition followed by a 30-day waiting period is required pursuant to Japan’s Foreign Exchange and Foreign Trade Act depending on the country of origin of the buyer or if the target company or any of its subsidiaries engage in a business that is either deemed to be critical to Japan’s national security (e.g., weapons, aircraft, and nuclear power) or engage in certain protected industries (e.g., agriculture, petroleum, and leather)
- Tender Offer Rules (a company that files a securities report only)
  - Buyer should be careful to structure the timing, manner and number of shares that it acquires to avoid triggering the application of Japanese tender offer rules to its contemplated purchase
    - Required to launch a mandatory general offer open to all shareholders if the buyer’s ownership interest in the outstanding voting shares and certain derivative securities (as defined under Japanese securities laws) of a public target company will exceed one-third as a result of its acquisition of such company’s shares in an off-market transaction
    - Required to launch a mandatory general offer open to all shareholders if a buyer acquires more than 5% of the outstanding voting shares of a public target company through transactions conducted “outside the market” with more than 10 persons during a rolling 60-day period
- Industry Specific Regulations (e.g., broadcasting, air transportation, telecommunications)

Post-merger integration

Post merger integration

The Japan CFO may not have executed the M&A transaction, but the Japan CFO more than likely will be responsible for its successful integration.

Q. What percentages of the targeted objectives/ goals has the Company accomplished post-transaction?



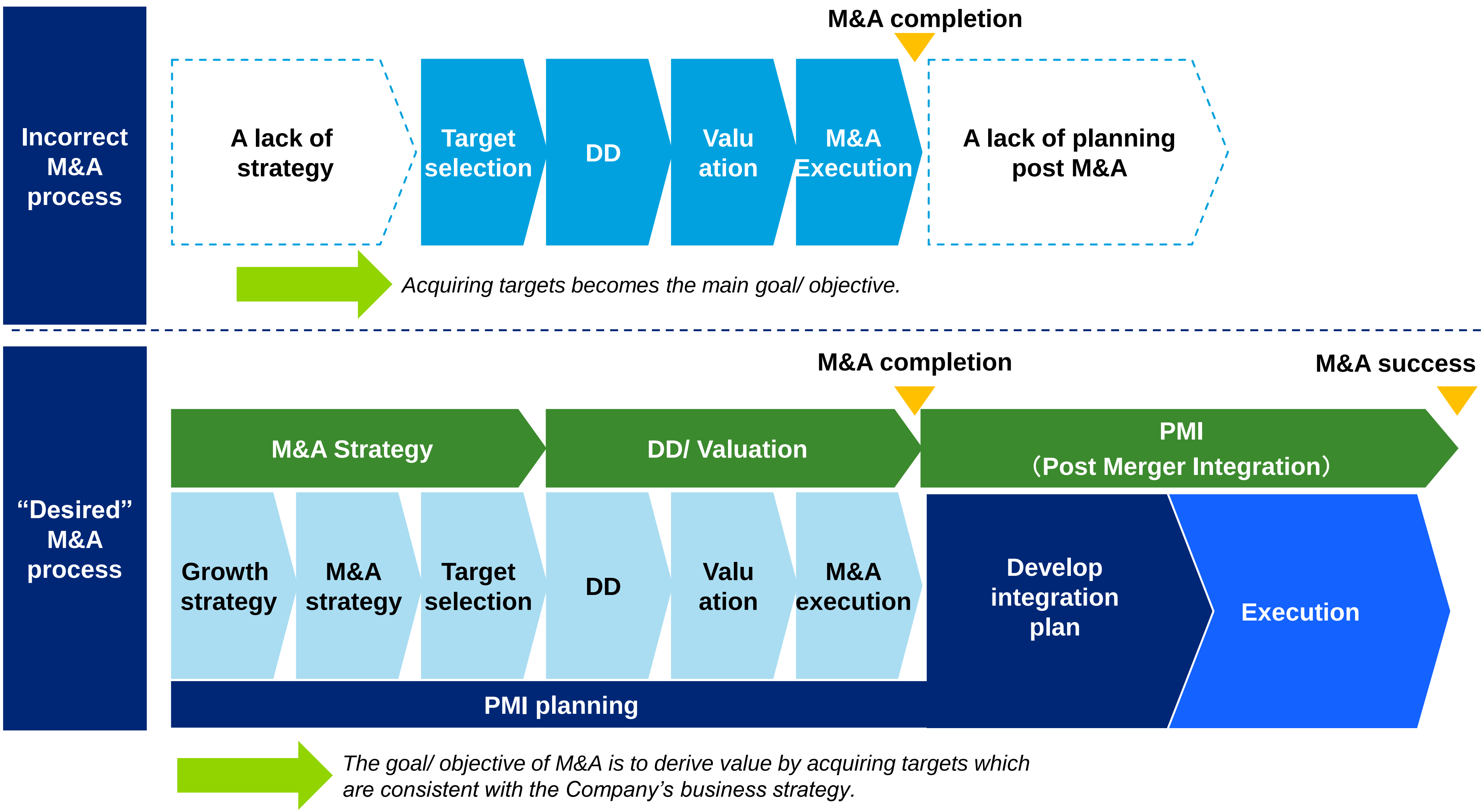
Takeaways:

- A typical success rate for M&A is approximately 30%.
- For cross-border deals, that success rate drops to around 13%.

Source: Deloitte Tohmatsu Consulting (DTC) M&A survey 2010 (170 companies) and 2013 (224 companies) | Note: Successful M&A is defined as achieving more than 80% of targeted objectives/ goals post-transaction

Post merger integration – Methodology for success

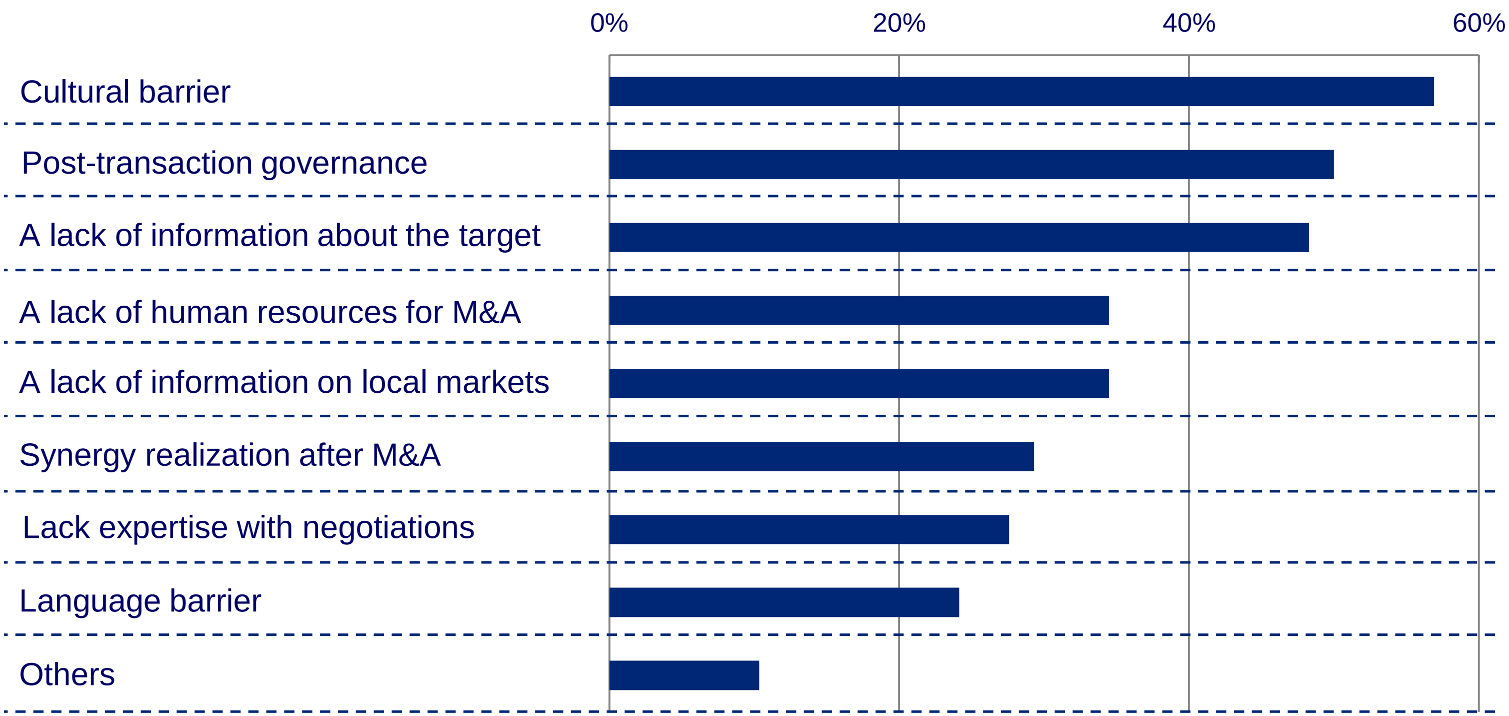
PMI, from early consideration to integration execution, is required for a successful integration:



Post merger integration – Common challenges

Typical issues preventing a successful integration for a cross-border M&A deal

Q. What were the barriers/ obstacles experienced during the planning and execution phases of a cross-border M&A transaction?

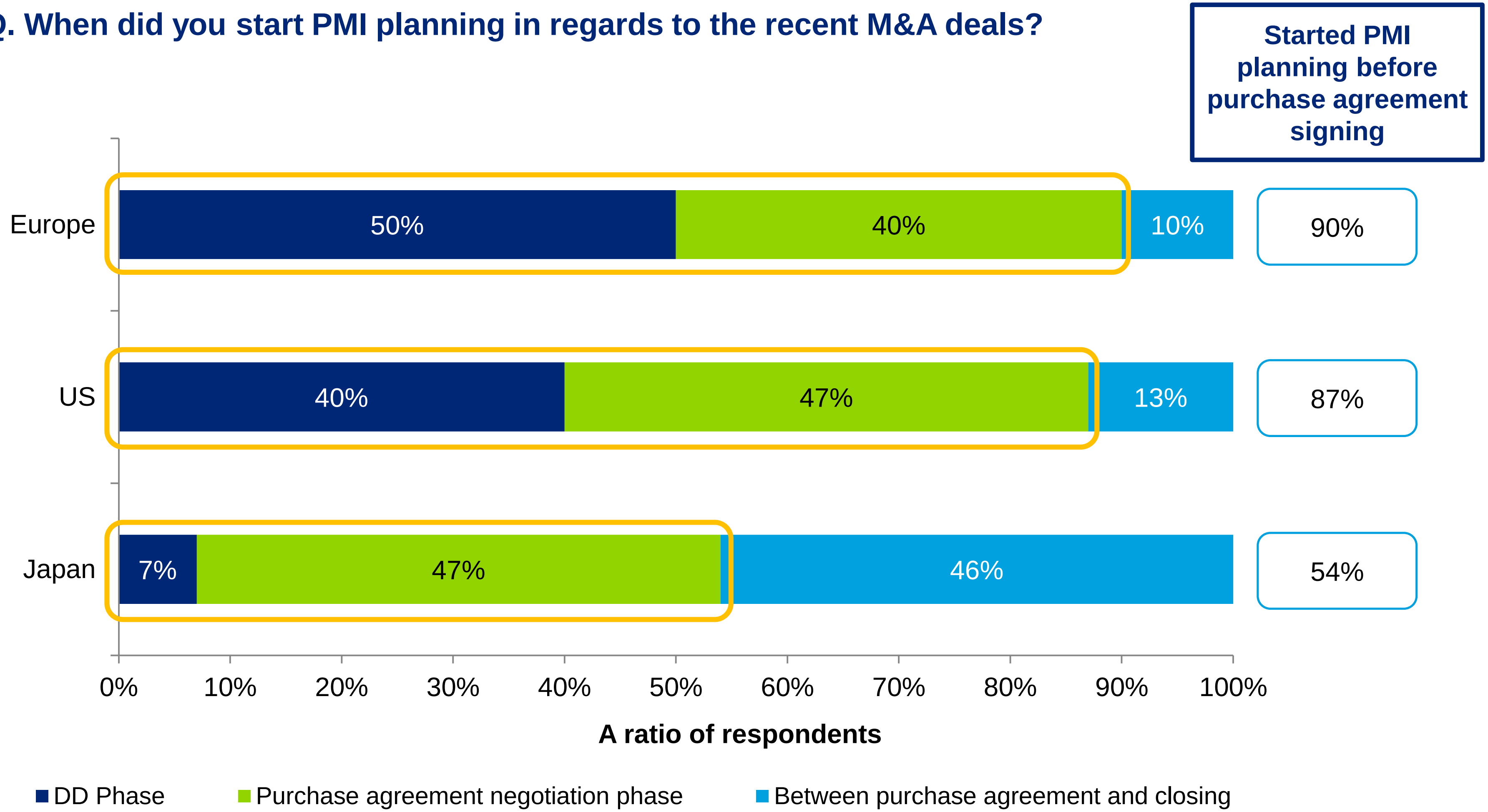


Source: DTC M&A Survey 2010 (170 companies)

Post merger integration – Started planning for PMI

Japan generally lags other countries for PMI planning

Q. When did you start PMI planning in regards to the recent M&A deals?



Source: DTFA, Merger Market May 2013

Post merger integration – Keys to success

Examining many of our recent mergers and acquisitions, those who have been most successful focused their integration effort in six key areas

Leading Practice Themes	Outcome
1 Develop a Clear Integration Strategy – Establish operational strategies and integration blueprints – Develop an executable integration roadmap with milestones	– Strategic and operational clarity – Enhanced operating and financial performance levels
2 Control the Integration – Develop clear governance and PMO structure and processes – Establish appropriate cadence for the integration and prioritize	– Clear governance processes and accountability – Speedy integration process
3 Expanded and Accelerated Synergies Capture – Develop and assign detailed revenue enhancement and cost saving targets – Develop business cases and implement as soon as possible	– Clear goals and stretch targets – Synergies realized as quickly as possible
4 Rigorously Plan and Prioritize for Day 1 Readiness – Identify and prioritize systems and processes that must be in place to ensure critical process readiness – Separate Day 1 vs End State requirements	– Clear and focused priorities – Issue-free, critical processes in place
5 Address Culture and Human Resources Immediately and Communicate Frequently – Proactively work to align leaders and individuals – Develop and deliver proactive communications	– Management team alignment – Commitment at all levels – Workforce transition and retention
6 Jumpstart Information Technology Execution – Document business processes and supporting applications – Define desired “to-be” state and create strategy to migrate all data and applications	– Clear technology blueprint – Staged implementation approach to accelerate synergy and minimize disruption

Contacts

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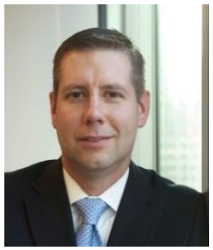

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