
Foreign Buying of Japanese Businesses Hits Record High

– Eclipses Japanese Buying of Foreign Firms for First Time –

DIRECT investment in Japan by foreigners – share acquisition and long-term lending to Japanese businesses – soared 90% in FY 2004 from the previous year to a record ¥4,026.5 billion, attesting to the stepped-up “Buy Japan” activities by foreign capital centering on US funds. The active buying has been prompted by the global economic recovery and a prolonged fall in Japanese land prices, which makes the value of corporate Japan and its share prices look attractively low. Meanwhile, direct investment in other countries by Japanese businesses in the year came to ¥3,800 billion. As a result, foreign direct investment in Japan eclipsed Japanese direct investment abroad for the first time.

The high-profile acquisitions of Japanese businesses by foreigners include the purchase of DDI Pocket by US investment fund Carlyle Group and Aoba Life Insurance by Prudential Financial of the United States. In addition, foreigners aggressively bought a number of hotels and golf courses. Of the total foreign direct investment in Japan, ¥2,619.8 billion came from the United States, which represented a 7.5-fold jump from the previous year.

On the rise are not only foreign acquisitions of Japanese businesses but also M&A cases involving Japanese companies as buyers. A survey by the US research agency Thomson Financial showed the number of M&As among Japanese firms

reaching a record 1,196 in the first half of 2005, up 19% from a year earlier. The total value of these deals leaped about 2.2-fold to ¥12 trillion. One of the most notable mergers was the one between two major drug manufacturers, Sankyo and Daiichi Pharmaceutical. According to a survey by Recof, a Japanese M&A services provider, the number of M&As between Japanese companies announced in the first half of this year accounted for nearly 80% of all such deals made public during the period. Now that the restructuring drive has run its course, Japanese businesses seem to be adopting an aggressive stance to expand their business bases in an effort to survive fierce international competition.