

An ever-more supportive monetary policy and industrial consolidation will support domestic M&A activity in Japan in the next two to three years. But inbound M&A will remain slow as Japan's depressed economic outlook makes FDI opportunities less attractive to overseas firms. IPO activity will be more robust, supported by cheap credit from the Bank of Japan.

M&A AND IPO TRANSACTIONS							
	2014	2015	2016	2017f	2018f	2019f	2020f
TOTAL M&A TRANSACTIONS (US\$B)	64.9	69.1	103.4	89.4	98.3	88.3	67.2
% of Global M&A transactions	2.6	2.0	3.7	3.6	3.3	3.2	2.9
Domestic (US\$B)	52.7	61.6	75.7	75.7	82.7	72.3	57.8
Cross-border, inbound (US\$B)	12.3	7.5	27.7	13.7	15.6	16.0	9.4
TOTAL VOLUME OF M&A TRANSACTIONS (Number of deals)	1,539	1,649	1,505	1,746	1,913	1,697	1,384
Domestic (Number of deals)	1,372	1,493	1,394	1,597	1,745	1,525	1,267
Cross-border, inbound (Number of deals)	167	156	111	149	168	172	117
TOTAL IPO TRANSACTIONS (US\$B)	12.0	15.8	10.1	12.3	14.5	15.4	9.2
% Global IPO transactions	4.4	7.7	7.5	7.3	5.4	5.6	4.8
Domestic (US\$B)	10.2	15.1	7.5	11.1	13.1	13.8	8.4
Cross-border (US\$B)	1.8	0.8	2.5	1.2	1.4	1.5	0.8

FORECAST FOR THE ECONOMY							
	2014	2015	2016	2017f	2018f	2019f	2020f
MACROECONOMIC DRIVERS							
Real GDP growth (% yoy)	0.2	1.2	1.0	1.0	0.9	0.6	-0.3
CPI (% yoy)	2.8	0.8	-0.2	0.2	0.6	1.2	1.8
Merchandise trade (% of GDP)	31	28	24	25	25	26	27
FINANCIAL DRIVERS							
10-year government bond yield (%)	0.6	0.4	-0.1	0.0	0.0	0.0	0.0
Equity prices (LCU, end of year % change)	8.1	9.9	-3.1	9.1	7.0	-2.6	-2.1
Stock market capitalization (US\$B)	4,378	4,895	5,289	5,339	5,611	5,325	5,186

KEY DRIVER SUMMARY (AVERAGE 2015-2020)

	Japan	Global
GDP growth (% annual)	0.7	2.6
Stock market capitalization (% of GDP)	112	98
Money supply (% of GDP)	182	124
Trade (% of GDP)	25	42
Ease of doing business (World Bank)	75	62
Legal structure (Fraser Institute)	7.6	6.4
Freedom to trade (Fraser Institute)	7.6	7.3

TRANSACTION ATTRACTIVENESS INDICATOR*



*The Transaction Attractiveness Indicator is an overall score calculated using a weighted average of the 10 factors included in the chart above. The score reflects the attractiveness of a country's current environment for M&A and IPO activity on a scale from 0 to 10. It's based on past transactional activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity. Because many of these factors change slowly over time, a country's current score is a strong indicator of whether it will have the right features to attract transactional activity in the future.