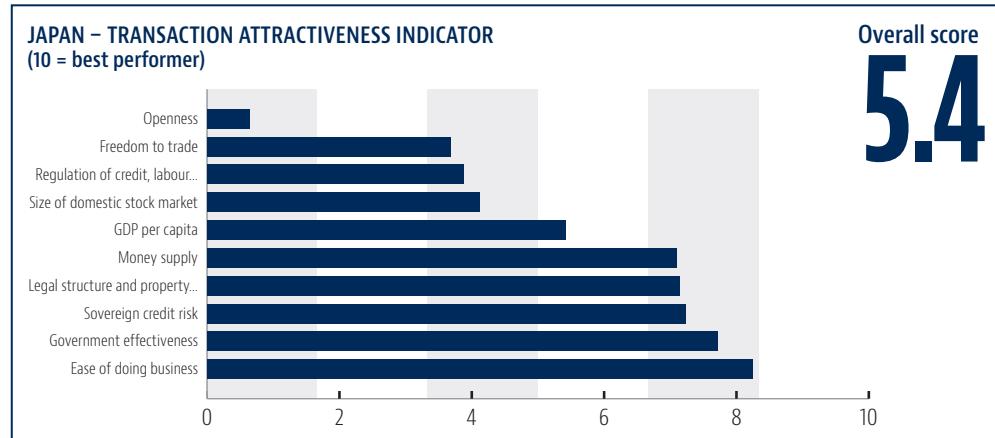


Even though Japan's economy is struggling with headwinds from the weak external environment, deal making has flourished in 2018-19 thanks to the solid financial shape of Japanese corporations and increasing receptiveness to external investors. As the government has enhanced the regulatory environment and encouraged more efficient capital allocations, we expect total M&A to show resilience and come out at \$79.1bn in 2020. We see the availability of cheap funding and a more encouraging trade backdrop spurring a renewed acceleration from 2021, with total M&A reaching \$102bn in 2022.

SUMMARY OF KEY DRIVERS (AVERAGE 2019-2022)		
	Japan	Global
GDP growth (% annual)	0.7	2.8
Stock market capitalization (% of GDP)	110	97
Money supply (% of GDP)	189	111
Trade (% of GDP)	29	45
Ease of doing business (World Bank, DTF score, higher=better)	76	77
Legal structure (Fraser Institute)	71	6.6
Freedom to trade (Fraser Institute)	3.7	7.4

Source: Oxford Economics



Source: Oxford Economics

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 transaction activity in that country and data on key economic, financial and regulatory factors that drive M&A and IPO activity, such as a country's sovereign credit risk, level of trade restrictions and ease of doing business rating by the World Bank. 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.

JAPAN – M&A AND IPO TRANSACTIONS							
	2016	2017	2018	2019	2020	2021	2022
Total M&A transactions (US\$bn)	109.8	60.8	90.2	92.9	79.1	93.0	102.0
% of Global M&A transactions	3.3	2.1	2.7	3.2	3.7	3.4	3.4
Domestic (US\$bn)	80.4	47.9	67.6	81.4	70.1	79.4	84.6
Cross-border, inbound (US\$bn)	29.4	13.0	22.6	11.5	9.0	13.6	17.4
Total volume of M&A transactions (Number of deals)	2,166	2,152	2,364	1,946	1,714	1,916	2,027
Domestic (Number of deals)	1,965	1,960	2,149	1,731	1,523	1,689	1,763
Cross-border, inbound (Number of deals)	201	192	215	215	191	227	264
Total IPO transactions (US\$bn)	10.1	6.1	28.7	6.0	6.0	11.0	11.9
% Global IPO transactions	7.4	3.1	13.3	4.0	2.8	5.7	5.4
Domestic (US\$bn)	7.6	4.9	28.4	5.8	5.7	9.8	10.5
Cross-border (US\$bn)	2.5	1.2	0.3	0.2	0.3	1.1	1.5

Source: Oxford Economics, Reuters

JAPAN – FORECAST FOR THE ECONOMY							
	2016	2017	2018	2019	2020	2021	2022
Macroeconomic drivers							
Real GDP growth (% yoy)	0.6	1.9	0.8	1.0	0.2	0.9	0.7
CPI (% yoy)	-0.1	0.5	1.0	0.8	1.1	0.5	0.8
Merchandise trade (% of GDP)	27%	28%	29%	28%	28%	29%	29%
Financial drivers							
10-year government bond yield (%)	0.0	0.1	0.1	-0.1	-0.1	0.0	0.1
Equity prices (LCU, end of year % change)	-1.9	19.7	-17.8	6.9	-5.9	7.2	4.5
Stock market capitalisation (US\$bn)	4,955.3	6,222.8	5,296.8	5,723.4	5,379.4	5,758.2	6,012.1

Source: Oxford Economics

IPO calculations account for the tentative Aramco listing in 2020 that has the potential to raise up to US 100 billion.