



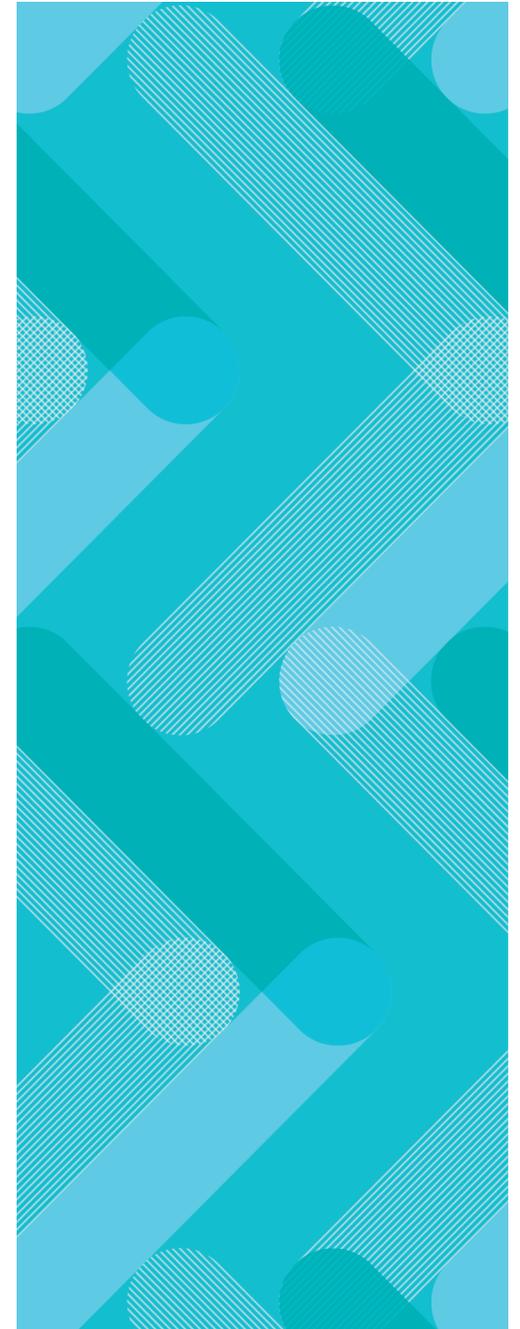
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Japan - Australia M&A: Review and Trends (2017-2020)

*More good news – more deals, more
dollars, more sector diversity*

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Overview

Japanese investment in Australia

- Record investment in 2019 and ranked 2nd globally behind US
- Japan is Australia's second largest investor, with A\$106 billion in FDI as at 31 December 2018,
- Trade in goods and services at A\$81.4 billion in 2018-2019.
- Japanese trading houses:
 - top 10 corporate taxpayers
 - top 10 exporters in coal, iron ore, LNG, wheat, woodchips and salt
 - up to 50% of global profit in Australia

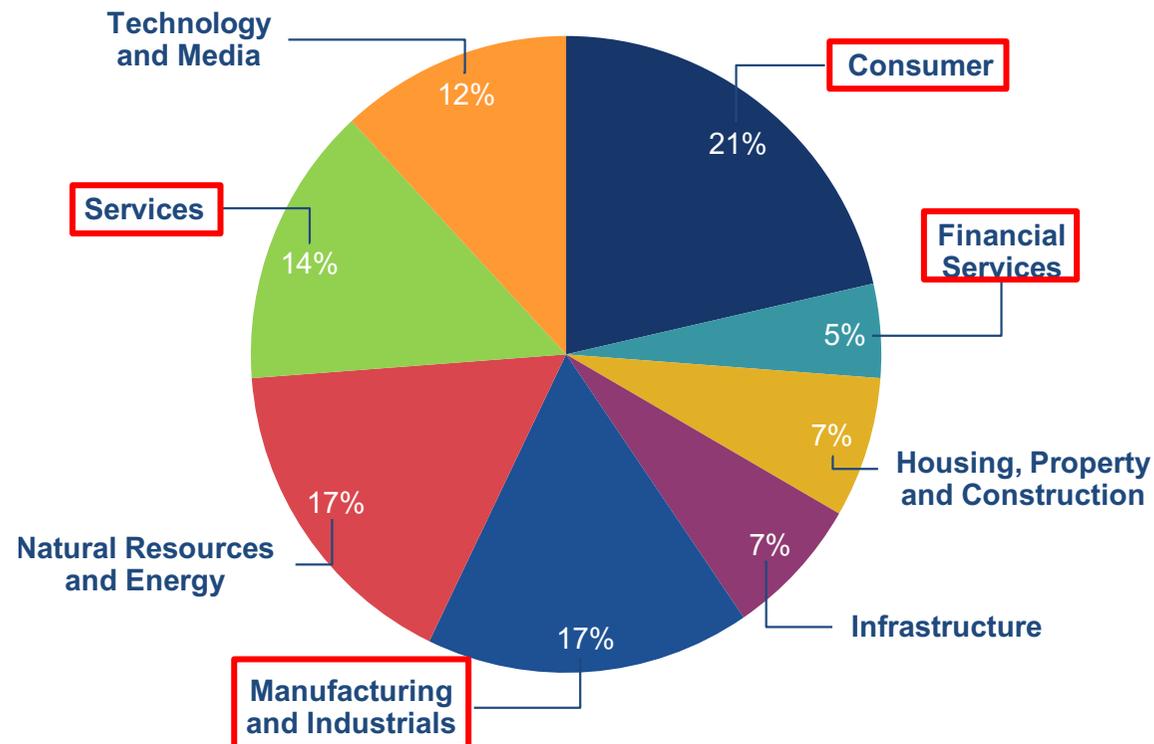
2019 Japanese M&A in Australia

- Increased sector diversity with continued energy & resources investment and some asset recycling
- 42 announced deals (37 acquisitions and 5 divestments) involving a Japanese corporation in 2019 (17% increase from 36 deals in 2018)
- Disclosed value of A\$25.76 billion compared to A\$11.02 billion in 2018.
- 5 “mega-deals”:
 - **Asahi** - A\$16 billion acquisition of Carlton & United Breweries from Anheuser-Busch InBev NV (subject to ACCC approval);
 - **Mitsubishi UFJ Trust and Banking Corporation** - completion of A\$4.2 billion acquisition of Colonial First State Global Asset Management from Commonwealth Bank of Australia;
 - **Nippon Paint** - A\$3.8 billion takeover of ASX-listed paint manufacturer Dulux
 - **Nippon Paper** - A\$1.7 billion acquisition of the fibre packing business of ASX-listed Orora; and
 - **Sumitomo Chemical** - A\$1.2 billion acquisition of the South American crop protection and seed treatment business from ASX-listed Nufarm.

Diversity in target industries

Continued attraction to new industries, demonstrating a clear shift away from the traditional target industries of energy, minerals and food supply.

M&A activity by sector in 2019



Forces behind the trends (2017-2020)

Attractive market for business

- Australia's growing population (1.5%)
- Stability in the legal and financial systems
- Regulatory certainty
- Low interest rates and weakening of Aussie dollar

Market structure

- Oligopolistic markets

Pressures from within Japan

- Negative interest rates
- Ageing and declining population
- *Abenomics*' reform and more active involvement of non-executive directors and the rise of activist investors

Cash Reserves and Availability of Finance

- Record levels of cash
- Low-interest loans from Japanese banks
- Strengthening of Japanese yen

Exit of Founders

- Japanese buyers act as custodian of target businesses, building on existing legacies

Increased confidence in PMI

- Japanese-owned Australian businesses continue to be run by local Australian management post-merger
- Japanese corporates leveraging benefits of existing business as part of a diversified global network
- Lateral hire of senior executives with international experience and English language proficiency

Listed Company takeovers

- use of schemes of arrangement / share placements

Supplier Migration Effect

- suppliers following their customers to Australia

Horizontal and Vertical Integration

- consolidation of sectors (housing, life insurance)

Hydrogen

Rise of ESG