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A Comparative Study of Merger Activity in Japan and the UK*

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The aim of this paper is to compare merger activity in Japan and the UK. In the UK the majority of mergers are horizontal type, and diversifying (especially conglomerate) types are most common in Japan. This fact means that in the UK the number of competitors within the industries concerned reduces ("death"), and in Japan the number of competitors among industries increases ("birth"). In the UK larger asset size companies mainly acquire smaller asset size companies, and in Japan mergers occurred mutually within the same asset sizes. The tertiary (e. g. distribution and services) industry is more active in merging in the two countries. We need to inquire into the origin of these differences and examine their impact on industrial organization.

1. Introduction

In other papers (Masuda, 2001a, b) we surveyed the procedure of merger regulation and the merger activity under the Fair Trading Act 1973 (hereafter the FTA 1973) in the UK. In this paper we compare merger activities in Japan and the UK and then aim to clarify common and different characteristics between the two countries.

It has occasionally been argued that a company prefers external growth to internal growth. The significance of comparative study is as follows. By comparing the number and size of mergers, we can understand the degree of preference for external growth between the two countries. Through comparison of merger types, we can also understand the direction of external growth. However, in comparison of merger activity, we must pay attention to differences of content of merger regulation policy between the two countries.

There is a large amount of literature analyzing their scale, their variation over time, their determinants and their effects on market share and performance. Most of the early studies have analyzed the relationship between mergers and market structure and corporate performances (i. e., profitability and stock price). We survey some recent studies.

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*The data for the UK on which this report is based was collected while the author was visiting the University of Warwick in 1998.

Ikeda and Doi (1988) analyzed the effects of merger on market share and performance and in addition assessed the effectiveness of regulation policy among Japan, the UK, and the US. According to Iwasaki (1988), in Japan there was no conclusive evidence that the merged firms improved efficiency substantially. Furthermore, even in the case of the Shin Nippon Seitetsu after the Yahata-Fuji Steel merger in 1970 (this merger is called the case of the historically most controversial merger), this merger had no permanent positive effect on market concentration. These are almost common results among many empirical studies in Japan.

Odagiri (1994, pp. 105-106) emphasized that human resource structures, such as labor practices and worker attitudes, must be taken into account in order to understand mergers and acquisitions in Japan. His analytical result also shows no support to the hypothesis that mergers and acquisitions were made primarily to increase efficiency. He noted that mergers and acquisitions in Japanese companies are complementary to internal growth efforts or the mergers and acquisitions are made when internal growth efforts are hampered by internal resource constraints (Odagiri, 1994, pp. 133-135).

The Anti-monopoly Law of Japan mainly regulates merging companies. Contents of regulation are a filing requirement of proposed mergers, conformance to guidelines, and informal consultation. Odagiri (1997) evaluated these regulation means to have been effective in preventing anti-competitive mergers and acquisitions.

In the UK, Hughes (1993) surveyed the empirical studies on relationships between mergers and economic performances over the period 1950-1990. Clarke and Ioannidis (1994) focused, as determinants of merger, on availability of excess finance in the economy. Their empirical results showed that non-bank financial institutions used excess deposits to support merger activity. In another paper (Clarke and Ioannidis, 1998) they also analyzed the relationship between merger activity and macroeconomic variables. Their results show that both GDP growth and stock market returns have a positive effect on merger activity.

The rest of this paper is organized as follows. Section 2 briefly discusses the merger regulation procedures in the two countries and then explains our data. Section 3 provides some comparative studies. We compare the numbers, types, sizes, and other characteristics of mergers between the two countries. Finally, in section 4, we summarize and discuss our findings.

2. Mergers involved in Comparison

In this comparative study we employ data in the *Annual Report of Director General of Fair Trading* for the UK and the *Annual Report of Japanese*

Table 1. Number of Mergers

	<the UK>	Proposals qualifying under the Fair Trading Act 1973		Business Bulletin :	<Japan>	
		All cases	Industrial and commercial	Industrial and commercial		Total assets of acquired companies
	Numbers	Assets bid for : (£ million)	Numbers	Numbers	Numbers	(billion yen)
1995	275	178,098	255	482	2,520	69,296
94	231	162,205	215	676	2,000	33,924
93	197	50,085	181	524	1,917	19,236
92	125	83,173	112	432	2,002	147,412
91	183	87,334	158	506	2,091	70,795
90	261	100,043	227	778	1,751	44,038
89	281	96,109	258	1,077	1,450	28,832
88	306	98,902	276	1,499	1,336	3,350
87	321	121,911	279	1,527	1,215	3,199
86	313	123,331	238	842	1,147	4,367
85	192	57,488	144	474	1,113	3,121
84	259	80,688	200	568	1,096	1,918
83	192	45,495	143	447	1,020	1,677
82	190	25,939	144	463	1,040	2,885
81	164	43,597	126	452	1,044	1,960
80	182	22,289	141	469	961	1,517
79	257	13,140	220	534	871	1,153
78	299	11,999	202	567	898	711
77	194	4,675	155	481	1,011	1,317
76	163	4,123	133	353	941	802
75	160	5,786	116	315	957	na
74	141	7,621	85	504	995	na
73	134	4,878	114	1,205	1,028	2,307
72	114	3,588	95	1,210	1,184	478
71	110	1,687	95	884	1,178	3,448

Source. *Annual Report of Director General of Fair Trading* (various years).
Japanese Fair Trade Commission *Annual Report* (various years).
The data in the following tables is calculates from above two *Annual Reports*.

Fair Trade Commission for Japan respectively. For the UK this data is collected under the FTA 1973 and thus is not always comprehensive. A better indicator[1] of overall activity is collected by the Central Statistical Office and published in the *Business Bulletin : Acquisition and Mergers.*

Table 1 presents the number of qualifying cases under the FTA 1973 and the number of mergers collected by the Central Statistical Office. Qualifying indicates that the Monopolies and Mergers Commission is to examine whether the proposed merger qualifies for investigation. Therefore, the number of

1 After the *Annual Report* 1997, statistics had been collected by the Office for National Statistics and published in *First Release: Acquisitions and Mergers involving UK companies* (*Annual Report*, 1997, p. 85).

qualifying cases shows the figures that excluded found not to qualify, proposals abandoned, and informal guidance cases from the total number of cases examined by the Office of Fair Trading.[2] The number of qualifying cases in the industrial and commercial sectors under the FTA 1973 is about 30% of those sectors in the Business Bulletin.

For Japan this data is collected under the Anti-monopoly Law. The Anti-monopoly Law stipulates in section 15 that "every company in Japan, which is desirous of becoming a party to a merger, shall, in accordance with the provisions of the Roles of the Japanese Fair Trade Commission, file a notification with the Commission" (Nakagawa, 1984, p. 19). This requirement is considered to be well observed. Therefore, the number of mergers published by the Japanese Fair Trade Commission is presumed to be comprehensive and reliable.

However it is very difficult to compare the number of mergers between Japan and the UK. Because data from the UK includes figures of not only mergers within the UK, but also UK companies that have acquired foreign companies (that is, targets) and the latter that have acquired the former (that is, bidders), but the Japanese data does not include mergers involving foreign companies and thus are mergers only within the domestic market.

It is often argued in the industrial economics literature that mergers occur in waves. In the UK, merger waves occurred at the turn of the century, in the 1920s, in the late 1960s and early 1970s, and in the second half of the 1980s. Table 1 presents these waves. The numbers of cases both under the FTA 1973 and by the Business Bulletin have similar trends. Clarke and Ioannids (1998, pp. 1-2) explained that such waves could often be linked to changes in the macro economy as a whole. For instance, a dramatic fall in merger activity in the early 1970s is commonly linked to the stock market crash at about the same time and possibly to changes in the level of economic activity. In 1990-91, another fall in merger activity occurred, again possibly linked to the downturn in the economy at that time. In addition, periods of very high merger activity such as the second half of the 1980s,[3] are often associated with a rapidly growing economy and rising stock prices.

Merger activity has, however, also been linked to changes with particular institutional and organizational changes. "In the UK, it has been suggested that the merger wave of the 1960s was due, in part, to changes in the law in 1956 which effectively outlawed restrictive agreements between firms. More recently, in the 1980s, it has been argued that mergers have been a response to

2 Masuda (2001a) surveyed in detail investigation procedures to proposed mergers by the Office of Fair Trading and the Monopolies and Mergers Commission.

3 This period is called the so-called 'Lawson boom' (Clarke and Ioannids, 1998, p. 2).

changing market conditions as the development of the single European market has taken place" (Clarke and Ioannids, 1994, p. 378). A large rise in the number of mergers since the late 1980s, in particular, had arisen from the procedural and statutory changes in accordance with the introduction of New Competition Laws (Masuda, 2001a).

The trend in Japan is similar to that of the UK. Causes of merging in Japan, different from the UK or US, are not linked to stock market, but more generally to business cycles. The number of mergers has increased steadily as shown in Table 1. In Japan, it is argued that mergers have increased rapidly during recession. In fact, the numbers increase during the recessions of 1980-83 and after 1991 ("collapse of bubble economy"). A principal objective of merging is to unite firms in a parent-subsidiary relationship before the merger, or firms within the same business group (see *JFTC Annual Report*, 1993, Table 3-14). This objective is different from the UK or US, which aims at high profitability or stock returns.

For total nominal assets of acquired companies, the trend in the UK fluctuates after 1987, but in Japan, this trend has increased more and less.

3. Comparative Study

Table 2 presents the number of mergers by types. In the UK, most of the mergers are horizontal type and next is diversifying type. Horizontal mergers have accounted for about 90% since 1991 and vertical mergers are sparse. According to Utton (1995, p. 193), the reason for the large number of horizontal mergers is as follows. In the UK merger policy, the Monopolies and Mergers Commission has stressed the impact of mergers on market dominance. In addition each case is treated on its merits and there is no presumption that a sizable horizontal merger is against the public interest.

Table 2. Number of Mergers by Types

	<the UK>				<Japan>									
					Hori-	Vertical			Diversifying					
	Hori-zontal	Vertical	Diver-sifying	Total	zontal	Forward	Backward	Subtotal	Geo-graphic market extention	Product extention	Conglom-erate	Subtotal	Others	Total*
1996	254	6	14	274	918	199	245	444	308	244	653	1,205	131	2,698
95	251	3	21	275	903	171	190	361	304	329	939	1,572	101	2,937
94	204	11	16	231	771	152	132	284	295	291	674	1,260	86	2,401
93	177	6	14	197	736	179	110	289	352	282	645	1,279	90	2,394
92	116	1	8	125	836	196	202	398	277	207	735	1,219	63	2,516
91	161	9	13	183	803	245	221	466	329	193	720	1,242	107	2,618
90	195	12	54	261	771	153	157	310	352	238	512	1,102	92	2,275
Total	1,358	48	140	1,546	5,738	1,295	1,257	2,552	2,217	1,784	4,878	8,879	670	17,839

Note. *This figures correspond to the number of acquired companies.

On the other hand, in Japan many diversifying type mergers occur, and in particular, conglomerate type accounts for about 50%. Ranked next are horizontal and vertical types in that order.

We can suggest some reasons, for the existence of fewer horizontal mergers than in the UK or most other countries.[4] First, Japanese anti-monopoly policy against horizontal mergers is more stringent than against other types. However, we must examine and compare the stringentness among countries. As another significant reason, we can point out the changes of industrial structure. Since the oil shock in the early 1970s, the industrial structure of Japan has changed broadly and rapidly. This change has forced many companies to contract their main operations and diversify into unfamiliar fields (Odagiri, 1994, pp. 108-110).

Table 3 shows asset values of acquired companies by types. In the UK the percentage of horizontal mergers in terms of acquired assets has always been larger than other merger types. Its percentage accounted for 97% in 1996. On the other hand, in Japan this percentage has always been larger than in terms of the number of mergers as shown in Table 2. Its percentage accounted for 89% in 1992. While the proportion of horizontal mergers in terms of numbers was smaller than other merger types, their impact was larger than others because most of the large-scale mergers were horizontal. Therefore, we have watched carefully such mergers from the anti-monopoly policy viewpoint.

Table 3. Assets of Acquired Companies by Types

	<the UK : £million>				<Japan : billion yen>								
	Horizontal	Vertical	Diversifying	Total	Horizontal	Vertical: Forward	Vertical: Backward	Vertical: Subtotal	Diversifying: Geographic market extention	Diversifying: Product extention	Diversifying: Conglomerate	Diversifying: Subtotal	Total
1996	149,271	827	3,525	153,623	15,149	2,372	3,530	5,901	1,235	769	3,105	5,109	26,159
95	170,607	391	7,100	178,098	57,404	2,030	1,240	3,270	1,410	1,535	5,677	8,623	69,296
94	139,333	17,509	5,363	162,205	8,653	4,974	6,104	11,077	2,890	6,015	5,288	14,193	33,924
93	40,754	561	8,770	50,085	7,427	2,481	2,283	4,764	1,346	2,337	3,361	7,045	19,236
92	80,257	167	2,749	83,173	131,879	4,192	2,909	7,100	1,528	2,150	4,755	8,433	147,412
91	78,111	3,952	5,271	87,334	58,345	1,472	2,780	4,252	1,674	1,729	4,794	8,198	70,795
90	78,257	3,490	18,296	100,043	25,055	1,153	7,672	8,824	2,638	3,966	3,555	10,159	44,038
Total	736,590	26,897	51,074	814,561	303,912	18,674	26,518	45,188	12,721	18,501	30,535	61,760	410,860

Table 4 includes the number of mergers by asset size. The two countries have common characteristics as follows. Mergers of small-scale companies are dominant in number, but it is noteworthy that mergers of larger companies have increased continuously. In the UK, over the period 1985-92, the number of

4 For instance, there are other countries, such as Australia, Canada, Ireland, the Netherlands, and Sweden (Odagiri, 1994, p. 110).

Table 4. Number of Mergers by Asset Sizes

	<theUK> Gross assets of acquired companies : £ million								<Japan> Total assets after the mergers were completed : billion yen						
	0 – 24.9	25– 49.9	50– 99.9	100– 249.9	250– 499.9	500– 999.9	1,000 and over	Total	Less than1	1 – 5	5 – 10	10– 50	50– 100	More than 100	Total
1996	101	32	33	42	22	14	30	274	1,048	684	224	233	49	33	2,271
95	118	23	33	46	21	18	16	275	1,385	667	182	206	37	43	2,520
94	112	25	29	25	17	9	14	231	932	553	192	237	36	50	2,000
93	67	31	39	31	10	8	11	197	899	529	194	212	32	51	1,917
92	28	39	16	21	6	8	7	125	866	571	224	241	45	55	2,002
91	39	28	38	36	17	11	14	183	871	607	227	285	53	48	2,091
90	48	51	50	44	23	25	20	261	706	524	198	224	45	54	1,751
89	56	52	63	48	25	15	22	281	620	411	152	185	37	45	1,450
88	59	55	75	59	19	20	19	306	592	382	154	157	22	29	1,336
87	78	66	76	49	24	12	15	320	571	347	125	119	19	34	1,215
86	48	63	49	74	31	19	29	313	608	302	83	114	19	21	1,147
85	30	49	31	39	22	11	10	192	575	336	89	87	12	14	1,113
84	70	64	47	35	15	14	14	259	626	271	88	78	17	16	1,096
83	78	40	27	21	11	2	13	192	584	261	78	64	13	20	1,020
82	73	46	24	27	8	7	5	190	862	119	26	28	2	3	1,040
81	69	35	20	19	8	3	10	164	582	265	76	97	12	12	1,044
80	106	29	17	14	8	4	4	182	na	na	na	na	na	na	na
79	192	27	19	9	3	5	2	257	na	na	na	na	na	na	na
78	166	25	17	12	7	0	2	229	na	na	na	na	na	na	na
Total	1,538	780	703	651	297	205	257	4,431	12,327	6,829	2,312	2,567	450	528	25,013

cases of medium scale companies (£50-99.9 and 100-249.9 millions) exceeded that of the smallest scale ones. In Japan, over the same period, the number of cases of larger scale companies has increased continuously.

Table 5 shows the relationship between asset sizes of acquired companies and merger types. As shown in Table 4, the majority of mergers were in the smallest asset size of acquired companies. Observing the distribution by types, in the UK horizontal type accounts for the largest number in the smallest asset size and there are also relatively many in the largest asset size. Vertical and diversifying types are many in medium asset sizes. In Japan, diversifying types (in particular conglomerate type) account for the largest number in the smallest asset size.

The number of cases by types shows an inverse relationship with the asset sizes. That is to say, in the UK there are many mergers relating to horizontal type with the smallest asset size. In Japan many mergers relates to diversifying type with the smallest asset size.

Table 6 shows a merger matrix, that is, the relationship between acquired companies and acquiring ones. In the UK the number of acquiring companies are many in the largest asset size. This asset size accounts for 37.1% of the to-

Table 5. Classification of Mergers by Asset Sizes of Company and by Types (Number of Cases)

Assets of acquired firm: £ million	the UK: 1990 - 96 Horizontal	Vertical	Diversifying	Total	%
0 –24.9	504	5	4	513	33.2
25–49.9	200	6	23	229	14.8
50–99.9	196	12	30	238	15.4
100–249.9	190	13	42	245	15.8
250–499.9	96	5	15	116	7.5
500–999.9	75	4	14	93	6.0
1,000 and over	97	3	12	112	7.2
Total	1,358	48	140	1,546	100

Assets of acquired firm: billion yen	Japan: 1981 - 88 Horizontal	Vertical Forward	Backward	Subtotal	Diversifying Geo-graphc market extention	Product extention	Conglom-erate	Subtotal	Total	%
Less than 1	1,768	448	543	991	899	775	2,504	4,178	6,937	79.3
1 – 5	336	101	106	207	234	142	393	769	1,312	15
5 –10	74	13	15	28	25	39	54	118	220	2.5
10–50	87	17	24	41	22	28	46	96	224	2.6
50–100	15	3	4	7	3	3	6	12	34	0.4
More than 100	12	2	7	9	1	3	1	5	26	0.3
Total	2,292	584	699	1,283	1,184	990	3,004	5,178	8,753	100

Table 6. Merger Matrix: Number of Cases

Assets of acquiring companies: £ million	<the UK: 1990–96> Assets of acquired companies: £ milion 0 – 24.9	25– 49.9	50– 99.9	100– 249.9	250– 499.9	500– 999.9	1000– and over	Total	%
0 –24.9	115	18	10	21	9	2	4	179	12.5
25–49.9	67	12	8	4	5	0	1	97	6.8
50–99.9	64	25	34	17	4	2	3	149	10.4
100–249.9	94	28	48	25	15	2	1	213	14.8
250–499.9	36	29	15	30	13	5	4	132	9.2
500–999.9	37	25	16	31	10	8	6	133	9.3
1,000 and over	73	74	86	97	49	66	87	532	37.1
Total	486	211	217	225	105	85	106	1,435	100

Assets of acquiring companies: billon yen	<Japan: 1990–96> Assets of acquired companies: billion yen Less than 1	1 – 5	5 – 10	10– 50	50– 100	100– 500	More than 500	Total	%
Less than 1	7,373	652	115	71	8	5	1	8,225	56.7
1 – 5	2,444	830	98	41	3	0	0	3,416	23.6
5 –10	679	327	56	24	6	1	0	1,093	7.5
10–50	536	466	153	121	8	2	0	1,286	8.9
50–100	62	76	31	45	7	2	1	224	1.5
100–500	39	45	19	56	17	13	1	190	1.3
More than 500	5	11	5	20	8	17	5	71	0.5
Total	11,138	2,407	477	378	57	40	8	14,505	100

tal. The largest number of acquired companies are in the smallest asset size. Ranked next in asset size is £100-249.9 million for both acquiring and acquired companies.

In Japan the largest number of acquiring and acquired companies are in the smallest asset size. They account for about 57% and 77% of totals respectively. In the UK many mergers occur between the largest asset size companies.

Table 7. Inter (or Intra-Same) Assets Size Mergers

		%	Number of Mergers
C_1 :	U	20.5	294
	J	57.9	8,405
C_2 :	U	69.7	1,000
	J	34.9	5,061
C_3 :	U	9.8	141
	J	7.2	1,039
Total :	U	100	1,435
	J	100	14,505

Table 7 was calculated from Table 6 to clarify some differences between the two countries. We define the inter-asset size mergers and the intra-same asset size mergers as follows.

Inter (or Intra-same) assets size mergers $= C_{i,U,J}$ / Total U, J.

i = 1, 2, 3. U : the UK, J : Japan.

C_1 : the intra-same asset size mergers, that is, the number of mergers between the same asset size companies along the diagonal in Table 6.

The inter-asset size mergers are as follows :

C_2 ; the asset size of acquiring companies is larger than that of acquired companies, that is, the number of companies below the diagonal.

C_3 ; the asset size of acquiring companies is less than that of acquired companies, that is, the number of companies above the diagonal.

This table reveals that in Japan many mergers (8,405 cases or 57.9%) occur in the intra-same asset sizes ($C_{1,J}$), and in the UK many mergers (1,000 cases or 69.7%) are in ($C_{2,U}$).

Table 8 presents the number of cases by industries. In the UK there are many mergers in distribution, transport and communications, and food, drink and tobacco industries in this order every year. In Japan there are many cases in distribution, services, and real estate industries in this order. Common characteristics between the two countries are many merger cases in the distribution and services industries. In general, the tertiary industry has more mergers.

4. Concluding Remarks

It has occasionally been argued that a company prefers external growth to internal growth. We have paid attention to the degree of preference and direction of external growth between Japan and the UK.

Analytical results are summarized as follows :

Table 8. Number of Cases by Industries

<the UK>	Numbers of cases of target companies														
Industry	1996	95	94	93	92	91	90	89	88	87	86	85	84	83	Total
Agriculture,forestry and fishing	0	1	1	1	0	0	1	4	1	4	2	1	0	2	18
Coal,oil and natural gas	4	2	5	4	4	9	4	9	20	8	7	4	9	8	97
Electricity,gas and water	9	12	0	3	3	2	1	3	4	0	0	0	0	0	37
Metal processing and manufacturing	4	5	2	4	4	5	7	6	9	1	3	10	14	6	80
Mineral processing and manufacturing	11	12	3	7	2	9	9	9	16	10	13	9	11	7	128
Chemicals and man-made fibres	5	7	19	20	15	18	27	12	13	16	13	6	21	9	201
Metal goods (not elsewhere specified)	1	2	2	4	1	2	6	11	5	5	6	3	10	3	61
Mechanical engineering	12	6	5	13	10	7	16	27	31	26	20	14	7	15	209
Electrical engineering	6	10	5	11	7	13	16	16	20	20	15	3	9	11	162
Vehicles	8	3	9	4	0	3	8	10	11	14	15	3	5	7	100
Instrument engineering	5	3	2	1	2	1	2	7	3	4	5	1	2	0	38
Food,drink and tobacco	29	29	23	15	20	15	24	20	19	21	38	14	13	11	291
Textiles	1	2	2	1	0	3	1	3	4	3	3	4	4	1	32
Leather goods and clothing	2	1	0	1	1	2	3	3	9	6	2	1	3	1	35
Timber and wooden furniture	1	2	1	0	0	1	3	2	0	2	0	3	2	0	17
Paper,printing and publishing	11	16	6	5	6	5	8	14	23	19	10	8	7	9	147
Other manufacturing industries	17	22	2	4	5	7	4	6	5	12	5	6	4	7	106
Construction	12	5	8	4	4	3	3	4	3	6	7	4	3	5	71
Distribution	12	24	24	17	8	18	23	27	33	42	30	25	31	28	342
Hotels,catering and repairs	7	11	5	11	2	2	10	7	3	10	2	1	7	5	83
Transport and communications	69	50	63	30	11	13	18	7	9	9	8	7	16	6	316
Banking and finance	18	14	10	9	11	12	22	14	13	20	28	21	29	17	238
Insurance	7	4	1	3	1	13	11	7	12	15	12	7	7	14	114
Ancillary financial services	1	5	5	4	1	2	3	2	5	6	25	20	23	3	105
Other business services	14	17	16	12	4	12	22	33	28	34	26	13	13	9	253
Other services	8	10	12	9	3	6	9	18	7	7	8	4	9	8	118
Total	274	275	231	197	125	183	261	281	306	320	303	192	259	192	3,399

<Japan>	The Number of cases														
Industry	1996	95	94	93	92	91	90	89	88	87	86	85	84	83	Total
Agriculture and fishing	11	7	9	5	8	11	7	11	7	2	9	6	6	6	105
Mining	4	7	1	5	3	3	2	5	3	6	3	3	2	1	48
Construction	175	205	129	122	142	156	122	85	64	61	60	63	89	71	1,544
Food	41	51	45	57	48	33	41	26	32	22	24	30	22	35	507
Textiles	49	41	36	29	27	43	41	24	26	23	15	26	29	25	434
Timber and wooden furniture	18	23	11	11	17	19	16	9	8	14	7	10	18	7	188
Pulp and paper	6	10	5	12	15	11	11	11	9	5	8	11	8	10	132
Printing and publishing	40	39	29	32	27	31	26	22	23	14	10	14	14	12	333
Chemicals, oil and coal	53	56	34	38	50	49	40	50	31	36	34	15	31	19	536
Rubber and leather	7	3	6	4	5	5	1	6	4	3	3	4	4	5	60
Ceramics	42	31	24	24	18	31	28	15	14	15	18	15	10	14	299
Metal	70	47	48	46	48	54	48	36	26	35	41	19	29	32	579
Machinery	135	130	127	113	120	97	95	92	99	86	74	70	66	79	1,383
Other manufacturing industries	21	37	52	42	20	31	33	18	19	15	9	7	6	11	321
Subtotal	482	468	417	408	395	404	380	309	291	268	243	221	237	249	4,772
Distribution (Wholesale and Retail)	680	717	540	524	640	586	551	453	460	409	398	408	377	357	7,100
Real estate	201	307	219	211	229	259	208	176	143	140	120	104	115	85	2,517
Transport and Communications	106	117	104	118	95	89	69	79	70	69	50	66	58	59	1,149
Services	348	428	352	331	292	295	217	184	167	142	151	130	106	87	3,230
Banking and Insurance	43	45	45	50	67	67	34	30	19	21	34	30	42	26	553
Electricity and Gas	1	3	4	0	1	2	0	0	1	0	1	2	0	0	15
Other services	211	216	180	143	130	219	161	118	111	97	78	80	64	79	1,887
Total	2,271	2,520	2,000	1,917	2,002	2,091	1,751	1,450	1,336	1,215	1,147	1,113	1,096	1,020	22,929

(1) Merger waves in the two countries are very similar. The degree of preference for external growth depends on the macro economy or business cycles. Additionally, we need to inquire into the differences in the principal objective of merging.

We obtained some findings of direction of external growth.

(2) In the UK most of the mergers were horizontal type, and in Japan most cases were diversifying mergers, especially conglomerate types. This fact means that in the UK the number of competitors within the industries concerned reduces ("death"), and in Japan the number of competitors among industries increases ("birth"). In addition, this may reflect differences in concentration ratio between the two countries. Observing asset values of acquired companies, in the two countries horizontal mergers have always been larger than other merger types. Their impact on market economy is larger than other types. This fact suggests a reason that we have observed carefully such mergers from the anti-monopoly policy viewpoint.

(3) In the two countries, mergers of small-scale companies are dominant in number.

(4) A relationship between asset size of acquired companies and types of merger showed that in the UK there were many mergers relating to horizontal type with the smallest asset size, and in Japan the majority of mergers related to diversifying (especially conglomerate) types with the smallest asset size.

(5) The merger matrix indicated that in the UK the number of acquiring companies are many in the largest asset size, and the number of acquired companies are many in the smallest asset size. That is to say, larger asset sizes companies chiefly acquired smaller asset sizes ones. In Japan, many mergers occurred between same asset size companies. Many of the smallest asset size companies were mutually acquiring and acquired.

(6) In general, the tertiary (e. g. distribution and services) industry has more mergers in the two countries.

Finally, we suggest some points of future study relating to these findings. It is necessary to inquire into the origin of the differences of merger activity between the two countries, for instance, whether it originates from the differences of merger regulation policy by Law or business activities. We also need to examine the impact of such differences on industrial organization (e. g. market concentration ratio and performance) in the two countries.

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