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論文題名

Analysis of Factors Behind Cross-border M&As by Japanese Companies: An Empirical Study

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論 文 要 旨

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（論文題名）

Analysis of Factors Behind Cross-border M&As by Japanese Companies: An Empirical Study

（内容の要旨）

This research is an empirical study which focus on cross-border M&As (CB M&As) issued by Japanese companies. Most recently, the M&A market in Japan becomes more mature where the total number of deals are at a stable level. At the same time, CB M&As are still increasing. Compared with domestic deals, CB deals involve more stakeholders who have various beliefs and cultures. Literature asserts the importance of similarities and cultural fits in CB M&As, but most of them are theoretical studies or case studies which lack empirical support. Moreover, classic studies on CB M&As, emphasizing host country factors which are based on home-host relations, create a dyadic structure that brings us basic understanding; However, there is a gap between the two-direction story and the real deals: some CB M&As involve 3 countries. Therefore, I intend to examine the effect of popular universal values while introducing the triadic relationship by adding the mother country of the target companies. Based on the RECOF M&A Database, 1327 records (microdata) from 2012 to 2022 are used to conduct 2 empirical studies. In the first section where the ordinary least squares method is adopted, that distance is bliss from mother countries and a curse from host countries is valid in the short and mid-term. Additionally, universal values pay off in the mid and long-term and safer host countries help. In the second section using multinomial logistic regression, it is found that relative risk affects the host-mother combination whose total risk tolerance is limited. Moreover, the boost of universal values requires safer host countries to be harvested.

Keywords: Global Strategy, CB M&As, Values, Ordinary Least Squares (OLS), Multinomial Logistic Regression, Triadic Relationship, Host Country, Mother Country, Relative Risk

Contents

1. Introduction

This research focuses on cross-border M&As (CB M&As) issued by Japanese firms. Regarding the M&A market in Japan, it has been growing in these years. According to Boston Consulting Group's online report (https://www.bcg.com/publications/2023/six-regional-deep-dives-on-m-and-a-market-trends,) Japan has experienced an uptick in M&A deal volume and value in the first half of 2023, and Japanese companies are using acquisitions to enable overseas expansion, the development of new businesses, and business model transformation. Specifically, suggested by KPMG's online article (https://kpmg.com/jp/ja/home/insights/2024/01/fas-ma-commentary-05.html,) CB M&As are increasing while the total number of M&As issued by Japanese companies stay flat. However, M&A is a black box that the inner mechanisms are still not fully revealed. Unlike domestic M&As, CB M&As are more complicated because multiple regions are involved, which bring more obstacles. As professionals, Deloitte's online summary (https://www2.deloitte.com/ca/en/pages/mergers-and-acquisitions/articles/planning-successful-cross-border-mergers-and-acquisitions.html) asserts that a company must have a clear vision and strategy as to why it should expand globally by understanding, accessing and integrating the targets carefully. Regardless of the academic side or the practical side, deeper understanding of CB M&As helps. We already have basic findings based on macro environments to interpret M&As. However, factors inside the buyer companies, such as corporate values, are not discussed enough. Economic rationality is undoubtedly an important aspect of M&As and one of the ultimate motivations of private companies. However, universal moral standards are accepted these days,

such as sustainability, environmental conscience, etc. Money is not the only objective a modern organization would or should pursue.

Besides, basic CB M&A theories based on Host-Home relationships are not valid in various cases. Most recently, that US president Joe Biden blocks the deal between Nippon Steel and the US Steel makes the world rethink CB M&As: according to CNN's online article (https://edition.cnn.com/2025/01/03/business/biden-blocks-us-nippon-steel-takeover/index.html,) the deal is considered win-win, and both parties show high level commitment; However, it is forbidden due to national security issues. This deal is meaningful because classic M&A theories, which focus on Host-Home relationships, do not help: Japan and the US are both developed countries that have mature business environments and also strategic allies, with experts who have rich experiences regarding CB M&As. It seems perfect in the Host-Home framework, but it is not even allowed in the reality. In fact, there is a solution: sometimes, the buyer purchases a company from a third country which operates in the host country. Bring it back to the Nippon Steel deal, if it buys a foreign subsidiary of US Steel (e.g. US Steel Europe,) President Joe Biden may not even interfere because it looks less political sensitive. Even though the ultimate goal is the US Steel in the US, we can acquire it step by step from working with its oversea divisions, which can be interpreted by a triadic diagram. Practically, there is a new strategic possibility if a third country is introduced; academically, there is a distinctive gap between current research and reality and regarding the numbers of evolved countries: dyadic relations between the host country and the home country are examined frequently, but triadic stories also exist. To fill the gap and provide a new perspective, I shed light on the multi-layered nature of CB M&As. Not only host-home country relationships, but triple relationships among 3

stakeholder countries will be presented if necessary. Here, triple means (1) Home country (Home), (2) Host country (Host), (3) The mother country of the target company (Mother). This contributes to our understanding of both the academic and practical sides of the M&A black box.

So far, we know that a cross-border M&A can be adopted as a mode of entry in a foreign market, with a dynamic learning process from a foreign culture, and a value-creating strategy. Besides, various variables concerning the environment regarding host-home country relations, such as economic scale, international relations, institutional factors, are applied to describe the effects of M&As. Theoretical frameworks and empirical studies are available. On the other hand, M&As are not only determined by the economic perspective. Every company has its own culture and purpose, it can change corporate behavior greatly, which results in the performance of CB M&As. Additionally, the relationship between the financial and non-financial aspects during M&As are not found empirically.

Thus, I will mainly use financial data (ΔROE) as DVs to interpret CB M&As. I would like to analyze how corporate values affect the financial outcomes of cross-border M&As by quantifying and connecting them with classic IVs. Besides, variables concerning triadic CB M&As will be introduced as well as ordinary Host-Home relations are to be investigated. Empirical methods will be adopted, and RECOF M&A database is to be cited. Japanese companies are the objectives, but this research aims to give insightful findings which can benefit all M&A studies. At the same time, analysis based on literature review will be conducted as well as a combined new model to be experimented.

2. Literature review, theory and hypothesis

There are theoretical and empirical studies on cross-border M&As as follows. In this section, I will review literature and material on CB M&As and identify how this research adopts their ideas and differentiates itself. Hypotheses that are presented in this part will be used to create empirical formulas.

2.1 Classic factors to define CB M&As: Shimizu et al. (2004) finds cross-border M&As as (1) a mode of entry in a foreign market, (2) dynamic learning process from a foreign culture, and (3) value-creating strategy. Xie, Reddy and Liang (2016) examine the country-specific determinants of cross-border mergers and acquisitions following 6Ws' systematic review design and protocol, and find that geopolitical distance, regulatory distance, and cultural distance between developed and developing economies are more likely to be moderated by the target country's market size, natural resources base, and weak institutional laws, especially corporate tax and capital gains tax. Besides, various empirical studies are conducted. Cross-border M&As are less sensitive to political, trade, and legal environments compared with domestic ones (Zhou, Xie and Wang, 2016,) but benefits from cultural difference (Chakrabarti et al., 2009.,) informal institutional distance (Li et al., 2020) and a stronger legal and institutional environment (Feito-Ruiz and Menéndez-Requejo, 2011.)

2.2 Cultures in CB M&As: There are studies which manage to link culture with cross-border M&As. Here, both "external" (national) culture and "internal" (corporate) culture are discussed. For the external part, the reduction of transaction cost due to higher cultural fit (Steigner and Sutton, 2011,) greater performance generated by "national culture-compatible" post-acquisition strategies (Morosini and Singh, 1994,) the negative influence of long cultural

distance (Boateng et al., 2018) are found. As the internal side, Hanane and Olena (2008) show corporate culture mismatches issues cause failures in international M&As. There are also literatures such as Panibratov (2017) and Denison et al (2011) assert that both national and corporate culture should be highlighted in M&As. On top of that, Joshi et al (2018) presents the similarity of the identities of the merging organizations has a significant impact on the performance of the combined entity. It is true that corporate cultures can be associated with national norms (Schneider et al., 2013). Still, culture is not only a considerable factor but what links the inside and the outside. In addition, corporate culture is one of the key factors which change a firm's behavior (Kotter and Heskett, 2008). Even combining classic IVs with corporate cultures seem promising in studying CB M&As, most of the literature apply case study methods.

2.3 Host-Home Linkages in CB M&As: Green and Meyer (1997) finds that CB M&As are best described by country-specific variables measuring trade, investment risk assessment, patents and tourism and that low-tech acquisitions are also linked with a country's domestic economic strength and government efficiency and stability. Buckley et al (2011) discover that Linkage variables (Home + Host) are shown to be an adjunct to the Eclectic Paradigm but not an alternative to it. These articles show that host-home combinations are a part of CB M&As, but most only consider the linkage a bidirectional system.

2.4 Ownership Strategy in CB M&As: Different ownership choice is determined by both host-home relation and buyer-target linkages. Guardo et al (2016) highlight that the relationship between the level of corruption in the host country and the firm's probability of opting for full control mode in cross-border M&A is U-shaped.

Moreover, they find industry relatedness between the acquirer and target and the level of connectivity between home and host countries moderates the relationship between corruption in the host country and the level of control. Plus, Arslan and Dikova (2015) assert that prior investment experience in the focal emerging market opted for full CB M&As over partial CB M&As despite high formal and informal institutional differences.

2.5 Hypotheses: Overall, geographical and institutional factors are believed to affect CB M&As when cultural factors and relevant experience also play a role. Moreover, specific host-home links and ownership strategies may be preferred, which can also result in the performance. Therefore, this paper has the following basic hypotheses by adding the mother country of the target company to present a triadic system, which describes the Host-Home-Mother relations. Since empirical evidence are not shown frequently in the literature, this study will adopt an empirical method.

Hypothesis 1. Buying firms from remote mother countries will boost the performance of CB M&As while operating in distant host countries weakens this fruit.

It is believed that there is a synergy between distant cultures but the host country where the actual business activity takes place will also determine the outcome of a deal. Therefore, Hypothesis 1 will examine how mother country factors and host country factors will affect CB M&As.

Hypothesis 2. Specific Host-Mother Linkage patterns depend on the relative

degrees of riskiness between the host/mother and home countries.

When people consider CB M&As, the upside of the downside of the host country's factors is well discussed. Especially, distance, in terms of cross-cultural synergy, will boost performance by providing more promising learning opportunities; however, thinking about the communication cost and the cultural barriers, it brings troublesome issues that hidden the integration, even the whole deal.
Here, "Host-Mother linkages" means the combination of host countries and the mother countries of target companies.
Besides, as introduced in the previous session, clear vision and strategies are critical for successful CB M&As. On top of this, I assume as follows:

Hypothesis 3. Corporates with clear universal values are more likely to show better financial performance in CB M&As.

There are multiple gaps between the buyer and the target in an M&A deal. Especially when it involves cross-border mergers, differences and shocks hinder integration. If the acquirer side accepts universal values, it may be a remedy to bridge distinctive cultures.

Hypothesis 4: Corporates with clear universal values require safer host countries to gain long-term returns.

2.6 Originality: This paper will conduct an empirical study on CB M&As by Japanese firms. There are 2 main features that differentiate this research from existing papers: First, corporate value will be quantified to interpret M&As

alongside with classic IVs; Second, this paper highlights the features of target companies by introducing the "Mother Country Factors" when most of the current literature only study "Host Country Factors."

3. Data and method

To identify the hypotheses mentioned, 2 empirical analyses will be conducted.

3.1 Determining factors of financial outcomes of CB M&As

3.1.1 Method

This analysis will investigate what determines the financial outcomes of CB M&As. As one of the ultimate motivations of private companies, earning profit efficiently is important. Therefore, financial indicators such as ROE are crucial to measure whether a deal is successful. Based on the literature review, this section will adopt a multi-layer approach to find what contributes to CB M&As. Formulas below will be used based on the Ordinary Least Squares (OLS) methodology.

$$\Delta ROE = \alpha + \beta_1 Distance + \beta_2 Developing + \beta_3 Ownership + \beta_4 reGDP + \beta_5 Experience + \beta_6 Dealsize + \varepsilon \quad (1)$$

$$\Delta ROE = \alpha + \beta_1 Distance + \beta_2 Developing + \beta_3 Ownership + \beta_4 reGDP + \beta_5 Experience + \beta_6 Dealsize + \beta_7 Value + \varepsilon \quad (2)$$

$$\Delta ROE = \alpha + \beta_1 Distance + \beta_2 Developing + \beta_3 Ownership + \beta_4 reGDP + \beta_5 Experience + \beta_6 Dealsize + \beta_7 Value + \beta_8 Combination + \varepsilon \quad (3)$$

This section will adopt ΔROE, which is the difference between the subsequent ROE and the ROE at the beginning of the year of M&As as DVs. To detect short, mid, long-term effects separately, ΔROE are calculated after 1, 5 and 10 years. In addition, to ensure that the change in ROE is due to M&As but not the industry where the buyer is doing business in, industrial averages will be removed by subtracting the average roe of the industry in which the buyer company is located. In Model (1), only widely used IVs will be used. Here, $Distance$ is the distance between Japan and the relevant countries, $Developing$ shows the institutional and economic level, $Industry$ illustrates which industry the buyer/target companies belong to, $Ownership$ is about the acquisition strategy concerning capital control ratio. Plus, according to Li et al (2020,) following control variables are adopted: $reGDP$, which describes the economic power balance between the host country and the home country , is calculated as $reGDP = \frac{GDP_{Home}}{GDPHost}$. Moreover, $Experience$ means previous CB M&A experience and $Dealsize$ is how much money is paid in a deal. Based on (1), Model (2) introduces $Value$ as new IVs, which presents the corporate value/culture of the Japanese firm which issues the deal. Even corporate culture is considered a part of determinants, the quantifying process should be divided from the basic model (1) to identify whether adding the new IV makes the explanation better, both theoretically and statistically. On top of that, IV $Combination$, which shows different linkages between host countries and target companies, will be added to test how the triple diagram in CB M&As affects its performance. Besides, in all formulas, ε is the error term.

3.1.2 Data

This analysis cites RECOF M&A Database and picks 1327 CB M&As during 2012 to 2022 (microdata.) According to the description of each deal, I have added variables using IR Bank, Nikkei Corporate Information Digital, Global Peace Index, Google Map, Nikko 225 Prediction, Global Peace Index, World Bank Group and homepage of buyer companies to complete an original dataset.

For DVs, ΔROE_1, ΔROE_5, ΔROE_10 are differences between subsequent ROE and ROE at the issue year of M&As, industrial noises are removed.

On the IVs side, M means "Mother country of the target company" while H represents "Host country." Therefore, *Developing_M* and *Developing_H* are dummies that indicate whether the target company's mother country or the host country is a developing economy and become 1 if they are. If they are not, the figure is 0. *Ln_Distance_M* and *Ln_Distance_H* are the natural logarithm of the distance between Japan and the relevant countries. *Global Intention*, *Enviromental Conscience* and *Sustainable Orientation* are dummies to judge whether the buyer company has specific corporate value by detecting the existence of certain keywords in its corporate culture/purpose following below rules:

Global Intention becomes 1 if at least one of these keywords exist "Global" "International" "World" "Earth"; Otherwise, 0.

Enviromental Conscience becomes 1 if "Environment" is detected; Otherwise, 0.

Sustainable Orientation becomes 1 if "Sustainable" is detected; Otherwise, 0. For this part, quantification is limited by the data availability. There must be other aspects of corporate culture, but this research will begin with universal ones. To make it clear, having specific orientations does not mean companies will 100% act as they suggest; However, considering real business in Japan, corporate culture/orientation becomes more significant in recent years: it is normal to hear corporate orientation in the very beginning of shareholders' meetings, which is

always strongly emphasized by business leaders. The content of corporate orientation is not only a mere slogan but what guides the whole company and is supervised by all stakeholders. Since highlighting corporate values represents the ongoing trend, this paper quantifies organizational beliefs to explain the effect of corporate values on CB M&As.

Next, $Newface$ and 100% $Ownership$ are dummies which show capital relations between the buyer company and the target company. $Newface$ means they do not have a capital relationship before the deal; 100% $Ownership$ indicates the buyer 100% controls the target company after the deal in terms of capital. $Pattern\_one$ means the host country is safer than the mother country of the target company, $Pattern\_two$ the opposite. Here, safety is judged by using the Global Peace Index. $reGDP = \frac{GDP_{Home}}{GDPHost}$ is used as a control variable, whose origins are retrieved from World Bank Group's online database. $Experience$ is a dummy which equals 1 if a firm has previous CB M&A experience during the picked period while $Dealsize$ represents the price (Million Yen). Below, Table 1 shows the corresponding relation between formulas and fundamental statistics and Table 2 presents the fundamental statistics of variables used.

Table 1 Variable List

Formulas	Fundamental Statistic
ΔROE	ΔROE_1, ΔROE_5, ΔROE_10
$Distance$	$Ln\_Distance\_M$, $Ln\_Distance\_H$
$Developing$	$Developing\_M, Developing\_H$
$Ownership$	$Newface$, 100% $Ownership$
$reGDP$	$reGDP$

Experience	*Experience*
Dealsize	*Dealsize*
Value	*Global Intention* *Enviromental Conscience* *Sustainable Orientation*
Combination	*Pattern_one*, *Pattern_two*

Table 2 Fundamental Statistic

VARIABLES	(1) N	(2) mean	(3) sd	(4) min	(5) max
DVs					
ΔROE_1	1,327	0.477	34.50	-140.5	1,025
ΔROE_5	927	-0.700	31.92	-669.7	314.1
ΔROE_10	239	1.422	12.97	-56.66	69.47
IVs					
Developing_M	1,327	0.289	0.453	0	1
Ln_Distance_M	1,327	8.856	0.550	6.848	9.834
Developing_H	1,327	0.308	0.462	0	1
Ln_Distance_H	1,327	8.842	0.557	6.848	9.834
Newface	1,327	0.850	0.357	0	1
100% Ownership	1,327	0.112	0.315	0	1
reGDP	1,327	1.046	1.500	0	6.106
Experience	1,327	0.497	0.500	0	1
Dealsize	777	56,546	311,478	0	6.969e+06
Global Intention	1,327	0.380	0.486	0	1
Environmental Conscience	1,327	0.120	0.325	0	1
Sustainable Orientation	1,327	0.0595	0.237	0	1
Pattern_One	1,327	0.0633	0.244	0	1
Pattern_Two	1,327	0.0490	0.216	0	1

3.2 Determinants of Host-Mother combinations

3.2.1 Method

According to the literature review section, I have pointed out that there are not only Host-Home country relations in CB M&As, but also Host-Mother country relations between the host region and the mother country of the target company. The objective of M&A is not necessarily native to the operational place. As the 3.1

section is designed to detect whether specific Host-Mother combinations benefit the deal, this analysis will study how certain patterns of Host-Mother selections are determined. Multinomial Logistic Regression is adopted, and the formula comes below:

$$Combination = \begin{cases} 1(\text{Pattern One}),\ if\ Y_{1,i}^* > Y_{2,i}^*, Y_{1,i}^* > Y_{3,i}^* \\ 2(\text{Pattern Two}),\ if\ Y_{2,i}^* > Y_{1,i}^*, Y_{2,i}^* > Y_{3,i}^* \\ 3(\text{Pattern Three}),\ if\ Y_{3,i}^* > Y_{1,i}^*, Y_{3,i}^* > Y_{2,i}^* \end{cases}$$

$$\text{Here, } Y_{j,i}^* = a + b_j I + c_j O + d_j V + e_j D + u_i \quad (4)$$

$Combination$ represents three patterns of Host Country – Mother Country selections. Pattern One (e.g. An Iran company in the US) means the host country is a safer place compared with the mother country of the target company while Pattern Two is the opposite (e.g. A Swedish company in Somalia). Plus, in Pattern Three, the target company is native to the host country (e.g. A Chinese company in China). $Y_{j,i}^*$ is the invisible factor which leads to these 3 patterns, which is be defined by I(Industrial factor,) O(Ownership Strategy,) V(Corporate Value,) D(Dangerousness.) u_i is the error term.

3.2.2 Data

Variables are created by the description of the RECOF M&A Database (n=1327.) $Combination$ is created by comparing the safety score of involved countries using Global Peace Index. I is an industrial dummy which shows which industry (primary, secondary, tertiary) the buyer and the target firm belong to. O is $Newface$ and 100% $Ownership$ dummies which indicate ownership strategies. V

is $Global\ Intention$, $Enviromental\ Conscience$ and $Sustainable\ Orientation$ used in the former section, which are defined by detecting specific keywords from corporate values that obtained from official websites of buyer companies. D, which describes whether a country is more dangerous than Japan, the home country of an M&A, adopt forms of $Dangerous\_H$ and $Dangerous\_M$; They become 1 if the host country or the mother country of the target company has a higher score than Japan in Global Peace Index, which means those country are more chaotic than Japan. Table 3 is a variable list for checking the corresponding links between variables mentioned.

Table 3 Variable List

Formulas	Fundamental Statistic
$Combination$	$Combination$
I	$First\_1, Second\_1,\ Third\_1$ $First\_2, Second\_2,\ Third\_2$ (primary=1, secondary=2, tertiary=3)
O	$Newface,\ 100\%\ Ownership$
V	$Global\ Intention$ $Enviromental\ Conscience$ $Sustainable\ Orientation$
D	$Dangerous\_H, Dangerous\_M$

Table 4 Fundamental Statistic

VARIABLES	(1) N	(2) mean	(3) sd	(4) min	(5) max
DVs					
Combination	1,327	2.824	0.521	1	3
IVs					
First_1	1,327	0.00226	0.0475	0	1
Second_1	1,327	0.569	0.495	0	1
Third_1	1,327	0.429	0.495	0	1
First_2	1,327	0.0106	0.102	0	1
Second_2	1,327	0.479	0.500	0	1
Third_2	1,327	0.511	0.500	0	1
Newface	1,327	0.850	0.357	0	1
100% Ownership	1,327	0.112	0.315	0	1
Global Intention	1,327	0.380	0.486	0	1
Environmental Conscience	1,327	0.120	0.325	0	1
Sustainable Orientation	1,327	0.0595	0.237	0	1
Dangerous_H	1,327	0.845	0.357	0	1
Dangerous_M	1,327	0.847	0.362	0	1

4. Result and interpretation

4.1 Determining factors in the financial outcomes of CB M&As

4.1.1 Result

Table 5 and 6 show the results of the analysis mentioned in 3.1, which demonstrates determining factors in the financial outcomes of CB M&As. Table 5 does not adopt *Dealsize* as IV since it is not available to every record (777/1327) while Table 6 examines *Dealsize*.

Table 5 Result without *Dealsize* (n=1327)

VARIABLES	(1) ΔROE_1	(2) ΔROE_5	(3) ΔROE_10	(4) ΔROE_1	(5) ΔROE_5	(6) ΔROE_10	(7) ΔROE_1	(8) ΔROE_5	(9) ΔROE_10
Developing_M	-1.391	1.098	-3.430	-1.432	0.936	-3.604	-2.611	0.140	-3.922
	(5.119)	(5.811)	(4.801)	(5.126)	(5.813)	(4.790)	(5.408)	(6.157)	(5.325)
Ln_Distance_M	11.04**	21.62***	-3.081	11.17**	21.56***	-3.153	10.35*	19.01***	-3.408
	(5.538)	(6.019)	(4.404)	(5.548)	(6.025)	(4.398)	(5.659)	(6.179)	(4.438)
Developing_H	-0.201	2.432	4.149	-0.178	2.599	4.357	1.030	3.642	4.771
	(5.001)	(5.662)	(4.739)	(5.008)	(5.663)	(4.729)	(5.276)	(5.973)	(5.210)
Ln_Distance_H	-11.42**	-20.19***	1.743	-11.57**	-20.20***	1.583	-10.79*	-17.88***	1.772
	(5.484)	(5.949)	(4.262)	(5.495)	(5.953)	(4.252)	(5.587)	(6.079)	(4.281)
Newface	-0.378	-2.166	0.692	-0.345	-2.112	0.794	-0.346	-2.345	0.743
	(2.660)	(2.830)	(2.379)	(2.663)	(2.831)	(2.385)	(2.667)	(2.835)	(2.395)
100% Ownership	-2.458	1.550	-3.279	-2.535	1.451	-2.946	-2.553	1.034	-3.080
	(3.021)	(3.274)	(2.504)	(3.028)	(3.276)	(2.515)	(3.031)	(3.281)	(2.534)
reGDP	0.152	0.748	0.310	0.158	0.724	0.168	0.190	0.882	0.224
	(0.677)	(0.797)	(0.868)	(0.678)	(0.797)	(0.870)	(0.683)	(0.801)	(0.886)
Experience	-2.619	0.821	-0.0829	-2.680	0.228	0.239	-2.682	0.0597	0.176
	(1.898)	(2.097)	(1.878)	(1.920)	(2.124)	(1.893)	(1.921)	(2.125)	(1.902)
Global Intention				0.733	3.938*	-0.718	0.616	3.770*	-0.679
				(2.008)	(2.217)	(1.768)	(2.014)	(2.217)	(1.778)
Environmental Conscience				-1.670	-0.355	1.266	-1.637	-0.218	1.299
				(3.006)	(3.322)	(2.537)	(3.008)	(3.321)	(2.548)
Sustainable Orientation				-0.582	-1.314	7.424*	-0.675	-1.493	7.512*
				(4.075)	(4.988)	(3.854)	(4.081)	(4.986)	(3.871)
Pattern_One							2.268	8.256*	2.449
							(4.032)	(4.629)	(4.145)
Pattern_Two							-2.949	-2.107	-0.421
							(4.680)	(5.268)	(4.246)
Constant	5.882	-14.26	12.62	6.026	-14.91	14.25	6.369	-13.05	14.72
	(16.80)	(18.24)	(15.22)	(16.84)	(18.25)	(15.33)	(16.87)	(18.26)	(15.40)
Observations	1,327	927	239	1,327	927	239	1,327	927	239
R-squared	0.006	0.019	0.014	0.007	0.023	0.033	0.007	0.026	0.035

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 6 Result with *Dealsize* (n=777)

VARIABLES	(1) ΔROE_1	(2) ΔROE_5	(3) ΔROE_10	(4) ΔROE_1	(5) ΔROE_5	(6) ΔROE_10	(7) ΔROE_1	(8) ΔROE_5	(9) ΔROE_10
Developing_M	-1.210	-2.839	-3.508	-1.502	-3.198	-4.577	-2.660	-2.415	-5.289
	(4.223)	(9.831)	(7.040)	(4.224)	(9.815)	(6.983)	(4.345)	(10.05)	(8.288)
Ln_Distance_M	21.69***	35.05***	-14.81	21.94***	35.72***	-13.81	20.63***	33.18***	-13.52
	(4.824)	(11.04)	(11.70)	(4.832)	(11.07)	(11.61)	(4.850)	(11.15)	(11.95)
Developing_H	2.234	8.040	7.685	2.407	8.205	7.878	3.781	7.942	8.553
	(4.146)	(9.645)	(6.991)	(4.146)	(9.624)	(6.945)	(4.259)	(9.796)	(8.096)
Ln_Distance_H	-21.93***	-35.58***	12.23	-22.40***	-36.55***	10.96	-21.27***	-34.48***	10.71
	(4.773)	(10.87)	(11.50)	(4.782)	(10.91)	(11.41)	(4.791)	(10.96)	(11.67)
Newface	-1.554	-4.228	-1.654	-1.518	-4.552	-0.741	-1.612	-5.195	-0.716
	(2.353)	(4.862)	(3.764)	(2.352)	(4.876)	(3.779)	(2.346)	(4.880)	(3.840)
100% Ownership	-2.350	-0.00940	-2.684	-2.605	-0.149	-1.810	-3.026	-2.014	-1.793
	(2.600)	(5.585)	(3.616)	(2.606)	(5.599)	(3.613)	(2.614)	(5.669)	(3.712)
reGDP	0.559	1.404	1.161	0.578	1.374	0.562	0.728	1.604	0.516
	(0.566)	(1.304)	(1.436)	(0.566)	(1.302)	(1.450)	(0.569)	(1.305)	(1.495)
Experience	-1.784	2.191	-1.281	-2.018	1.389	-0.988	-1.960	1.089	-1.005
	(1.626)	(3.523)	(2.954)	(1.638)	(3.539)	(3.020)	(1.636)	(3.540)	(3.049)
Dealsize	5.89e-07	-3.75e-07	-5.38e-06	3.12e-07	-1.08e-06	-3.11e-06	4.84e-07	-7.43e-07	-2.22e-06
	(2.60e-06)	(4.85e-06)	(1.58e-05)	(2.60e-06)	(4.85e-06)	(1.57e-05)	(2.59e-06)	(4.84e-06)	(1.66e-05)
Global Intention				2.707	8.173**	-1.155	2.308	7.754**	-1.200
				(1.684)	(3.598)	(2.652)	(1.690)	(3.606)	(2.695)
Environmental Conscience				-3.411	-1.063	2.403	-2.998	-0.336	2.467
				(2.620)	(5.801)	(4.506)	(2.618)	(5.805)	(4.559)
Sustainable Orientation				-0.219	-5.830	13.57**	-0.814	-6.692	13.53**
				(3.541)	(9.343)	(6.661)	(3.539)	(9.336)	(6.723)
Pattern_One							7.891**	15.32*	-0.197
							(3.342)	(7.854)	(8.283)
Pattern_Two							-2.303	-1.321	-1.199
							(3.686)	(8.064)	(6.691)
Constant	4.004	3.064	25.66	5.439	3.411	27.41	6.665	7.465	27.13
	(14.96)	(30.75)	(23.51)	(14.99)	(30.75)	(23.38)	(14.97)	(30.77)	(23.87)
Observations	777	534	132	777	534	132	777	534	132
R-squared	0.037	0.032	0.043	0.042	0.042	0.086	0.049	0.049	0.086

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

4.1.2 Interpretation

According to Table 5, column (1) ~ (3,) which shows the result of model (1,) *Distance* is statically significant in 1 and 5 years afterward. Specifically, *Ln_Distance_M* is both positively significant statistically at the 5% level in 1 year and is at the 1% level in 5 years while *Ln_Distance_H* indicates the opposite. This result means that purchasing target companies from remote areas contributes to the short and medium financial performance while entering distant regions weakens the boost. It is because learning and working with unfamiliar colleagues gives us new insights and know-hows; However, operating in a distant area indicates higher cost and cultural barriers, which can be recognized at the host country cost. In addition, both effects are neutral in the long run (10 years

afterward.) Moreover, column (4) ~ (6) which represents model (2) reports the same result in terms of *Distance* and detects statical significance from *Value*. Positive statistical significance is found from *Global Intention* in 5 years and *Sustainable Orientation* in 10 years, both at 10% level. This shows corporates that highlight globalism will have better performance in the mid-term while sustainability plays a key role in the long-term. We can interpret the difference as emphasizing global intentions makes CB M&As promising in the mid-term and sustainable orientation is what determines long-term winners. *Value*, which is more abstract in definition, affects deals in longer periods. Companies that value global experience may have solid commitment to CB M&As, which help them survive the PMI, resulting in better performance in the middle term. However, what we can learn from foreign companies is not limitless. After a peak, the learning or synergy will fade. Sustainability, which is more universal and transparent, benefits the long-term fruit. This is because it takes time to earn profit from a sustainable approach. Since sustainability is popular and required by the global economy, long-lasting boost can be gained from incorporating it into corporate value. Model (3) presented by column (7) ~ (9) adds Home-Mother Combinations as IVs, 10% positive significance is found in 5 years, which means buying companies in relatively safer host countries has financial advantages. Overall, R^2 is improved from model (1) to model (3), which shows hypotheses 1 and 2 are partially valid.

However, R^2 in Table 5 are lower than 1% in "ΔROE_1" columns. The absence of some key variables, such as *Dealsize*, might be the reason. Since *Dealsize* is only available in 777 cases while the total records are 1327, Table 5 is reported first. To make this study more accurate, Table 6 adds *Dealsize* into IVs, and almost the same findings are detected. However, there are 3 improvements. First,

$Combination$ reaches a 5% positive significance in column (7,) which means safer host countries are desirable in both short and mid-run. Second, significant coefficients become larger. Third, R^2 and significance levels are improved. It seems that $Dealsize$ is a key control variable to understand CB M&As better. Even adopting it erases a part of the records; it is worthwhile because the credibility of the models is enhanced.

4.2 Determinants of Host-Mother combinations

4.2.1 Result

Table 7 and 8 show the results of the analysis mentioned in 3.2. Marginal effects are reported. In Table 7, IV $Dangerous\_H, Dangerous\_M$ are tested together while they are tested separately in Table 8. A "-" means this variable is omitted because of the collinearity.

Table 7

VARIABLES	(1) Pattern_One	(2) Pattern_Two	(3) Pattern_Three
First_1	-12.76	-13.10	-
	(1,765)	(2,016)	
Second_1	-0.0125	-0.178	-
	(0.263)	(0.309)	
Third_1	-	-	-
First_2	-11.77	1.598	-
	(761.8)	(1.152)	
Second_2	0.184	0.133	-
	(0.258)	(0.309)	
Third_2	-	-	-
Newface	0.194	0.891	-
	(0.387)	(0.605)	
100% Ownership	0.338	0.373	-
	(0.366)	(0.426)	
Global Intention	0.526**	-0.187	-
	(0.263)	(0.331)	
Environmental Conscience	-0.304	-0.0554	-
	(0.414)	(0.498)	
Sustainable Orientation	0.837*	0.299	-
	(0.431)	(0.623)	
Dangerous_H	-5.109***	23.97	-
	(0.757)	(3,277)	
Dangerous_M	7.466***	-22.49	-
	(1.251)	(3,277)	
Constant	-5.689***	-5.398***	0
	(1.084)	(0.961)	(0)
Observations	1,327	1,327	1,327

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 8

VARIABLES	(1) Pattern_One	(2) Pattern_Two	(3) Pattern_Three	(4) Pattern_One	(5) Pattern_Two	(6) Pattern_Three
First_1	-14.23	-13.87	-	-12.41	-13.02	-
	(2,435)	(2,697)		(1,315)	(1,489)	
Second_1	0.0315	0.159	-	0.123	0.0147	-
	(0.236)	(0.262)		(0.236)	(0.264)	
Third_1	-	-	-	-	-	-
First_2	-14.37	1.465	-	-11.42	-0.199	-
	(1,162)	(1.146)		(539.9)	(1.073)	
Second_2	0.295	0.0337	-	0.207	0.146	-
	(0.230)	(0.259)		(0.230)	(0.261)	
Third_2	-	-	-	-	-	-
Newface	0.419	0.547	-	0.388	0.635	-
	(0.365)	(0.438)		(0.366)	(0.440)	
100% Ownership	0.416	0.252	-	0.376	0.289	-
	(0.320)	(0.375)		(0.321)	(0.376)	
Global Intention	0.515**	-0.413	-	0.491**	-0.362	-
	(0.233)	(0.288)		(0.234)	(0.287)	
Environmental Conscience	-0.257	-0.0400	-	-0.257	-0.0377	-
	(0.366)	(0.423)		(0.364)	(0.425)	
Sustainable Orientation	0.629	0.187	-	0.752*	0.120	-
	(0.391)	(0.541)		(0.389)	(0.546)	
Dangerous_H	-0.745***	1.908**	-			
	(0.266)	(0.754)				
Dangerous_M				2.639***	-1.085***	-
				(1.010)	(0.282)	
Constant	-2.864***	-5.161***	0	-5.930***	-2.618***	0
	(0.447)	(0.866)	(0)	(1.075)	(0.495)	(0)
Observations	1,327	1,327	1,327	1,327	1,327	1,327

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

4.2.2 Interpretation

According to Table 7, statistical significance is reported from 4 IVs, which are *Global Intention*, *Sustainable Orientation*, *Dangerous_H, Dangerous_M*. Two IVs representing corporate value are significant at 5% and 10% level, but the marginal effects are trivial. The result suggests that companies that have global or sustainable orientation are more likely to choose pattern one deals in which target companies are located in relatively safer host countries. This is because a safer country judged by the Global Peace Index tends to have better institutional structure for foreign companies to apply long-term strategies. Globalism and sustainability are universal values that are widely adopted by the world economy, but to reach a promising outcome, private companies need to search for a stable

state. Plus, *Dangerous_H Dangerous_M* show opposite results at 1% level. According to the marginal effects, if the host country is more dangerous than Japan, Japanese companies will 5.1% more likely to select a target company from a relatively safer state while if a target company is native to a more chaotic regime, Japanese companies will 7.5% less likely to choose a host country where institutional factors are more immature compared with the target's motherland. This result shows there is a trade-off between the risk of mother countries and the risk of host countries, which can be interpreted as the consequence of limited total risk tolerance. In Table 8, *Dangerous_H Dangerous_M* are tested separately. This approach makes the trade-off mentioned more obvious: In Host-Mother linkages, since the total risk tolerance is given, various combinations can be formed by balancing the risk of the host country and that of the mother country.

5. Discussion

According to the empirical analysis, the hypotheses presented will be examined.

Hypothesis 1. Buying firms from remote mother countries will boost the performance of CB M&As while choosing in distant host countries weakens this fruit.

This hypothesis is partly valid because it is only valid in the short and mid run. In the long run, distance is neutral. In section 3, it is found that under short and mid runs, targets from far regions bring greater performance while distant host countries play negative roles. However, all these boosts and shortages disappear after 10 years. This paper defines 1, 5 and 10 years afterward the purchase as

short, mid and long run due to the 10-year-accessibility of quantitative data, but there is not an absolute definition of those since each deal has its special conditions which may depend on industries, strategies, etc. Nevertheless, longer distance that brings the mother country boost and the host country obstacle will be at least sound in 5 years. It can be considered either a temporary phenomenon or a long-lasting bliss case by case; however, the business world is a competitive and ruthless arena where momentary advantages change the game, the mentioned distance-related mechanism should be viewed seriously. CB M&As are not elixir which makes the buyer an eternal winner. As time goes by, the benefit from remote culture fades off, while the drawback of long-range communication is overcome. The synergy of the deal reaches the limit when oversea operation becomes more effective. This finding points out a dilemma in CB M&As: You get the distance boost and suffer from the distance obstacle at the same time. If we are confined by the classic Host-Home M&A framework, the same degrees of boosts and penalties should be handled. This is the reason why I decided to introduce a triadic diagram: There is a way where we can gain the boost when avoiding the penalty, which is working with companies from remote countries in a relatively nearby place. The global economy becomes increasingly dynamic and diverse, entering a new market does not mean you must be physically operating in that region. Classic global management ideas are still confined to the "host country," regardless of the diagram of international business itself is evolving. That CB M&As are still growing in Japan makes target selection, both the company to purchase and the region to operate, a competition. Buying a native company to do business in a foreign country is undoubtfully a way to form global strategies; however, competitors may think the same way. We should be more flexible, find more options by combining the motherland of the target and the host country, to avoid meaningless competition and become advantageous in new

rails.

Be that as it may, CB M&As are risky moves that require enormous resources, financial and personal, and embrace great uncertainty. No one can create a prefect scenario in which everything happens as predicted. Therefore, managing the risk in the beginning is crucial. Hypothesis 2 that has mentioned in former sections says:

Hypothesis 2. Specific Host-Mother Linkage patterns depend on the relative degrees of riskiness between the host/mother and home countries.

It is examined in the previous chapter and valid. Specifically, the acceptable total risk of a CB M&A is limited. Consequently, there is a tradeoff between the risk of mother countries and host countries. This finding provides us with new insights to form an M&A strategy. Normally, if only the host-home relationship exists, then the target choice is a "no pain no gain" game. The host country selection determines the risk: you can only decide to enter a safe or dangerous region. Peaceful destinations have functional institutions but more competitors, sometimes higher tax and salary level to maintain the social order, which lowers the return. In contrast, doing business in dangerous environments can be a blue ocean, but unpredictable issues may ruin the whole game. This is not wrong yet, only a part of options. As examined in the above sections, there are also possibilities as Table 9 illustrates.

Table 9 Risk Management and Home-Mother Linkages

Pattern One	The target company is from a country that is more dangerous

	than the host country
Pattern Two	The target company is from a country that is safer than the host country
Pattern Three	The target company is native to the host country

I want to make it clear that the risk mentioned is mere relatively dangerous /safety. Since the Global Peace Index is cited to define how peaceful a country is, comparing the peaceful level of 2 countries only describes the difference between those regions: there are not absolute risk places nor safe ones. On top of this, the "no pain no gain" scenario only presents Pattern Three, where mother country and host country is the same. In this case, you learn from only one country, but know the macro business environment outside a company and micro know-hows insides it. It is traditional thinking in CB M&As and sometimes it works better but facing the Host-Mother links are adopted and the evolution of the global economy, learning from only one country may not be enough. As a matter of fact, Pattern One, in which we work with companies from risky regions in peaceful places increases the financial outcome in the short and mid-term. Pattern Two suggests that acquiring companies from peaceful areas which are located at relatively dangerous places is neutral on the financial outcome, yet still a direction. Concentrating on one country by purchasing its native companies or learning from 2 foreign objectives at the same time, the latter provides decision makers with hard-to-imitate options that set a new game in global strategies. Adopting various Host-Mother linkages makes strategies flexible and unique, which can generate original advantages.

Moreover, risk assessment is not the only factor in M&A strategies. Cultural

fitness, strategic consistency, even commitment is also important. Therefore, Hypothesis 3 will be examined.

Hypothesis 3. Corporates with clear universal values are more likely to show better financial performance in CB M&As.

This hypothesis is partly true. More in detail, global intentions bring a boost afterward ROE in 5 years and sustainable orientations have a positive effect on 10 years run while environmental consciences stay neutral. All valid value variables need time to activate. It is because mere slogans do not help, real actions and prolonged endeavors are required to reach the financial outcome. Global intentions boost starts and ends earlier than sustainable minds because the former contributes to the PMI commitment when the latter asks for patience. Sustainability, which effectively helps private firms in the long run, is not like environmental consciences that are more public related. The consequences of universal values vary in CB M&As depending on the nature of the mantras, specifically whether they have economic rationale. Additionally, buyer companies which have specific universal value-based orientations are more likely to search for peaceful host countries where institutional factors are more desirable to get the boost which requires patience. Table 10, which is created using empirical results, is available for checking this finding, figures show the ROE boost.

Table 10 The Effect of Universal Values on CB M&As

	1 Year	5 Years	10 Years
Global Intentions		3.77%~8.17%	
Environmental Conscience			
Sustainable Orientation			7.42%~13.57%

If there are long-term fruits that require patience to harvest, what kind of host countries are preferred? Hypothesis 4, which is examined by Table 7 and 8, will be tested.

Hypothesis 4: Corporates with clear universal values require safer host countries to gain long-term returns.

This hypothesis is partly true. Corporates that are guided by global intentions and sustainable orientations are more likely to choose safer host countries to ensure that the boost will be gained. There is a two-step logic within these value-generated boosts: 1. There are time-consuming, 2. They need host countries where better institutional infrastructures are available.
Overall, hypotheses are tested and discussed. It is fair to claim that expanding the host-home relationship to a host-mother-home diagram gives novel ideas in CB M&As, which enhances strategic flexibility and financial performance. At the same time, the effect of CB M&As is not forever, companies should keep on forming new movements to maintain their predominant position. Reasonable universal value-based orientations take time to activate, yet have promising returns; However, more peaceful host countries are needed to enable this time-consuming activity to perform.

6. Conclusion

This paper focuses on CB M&As issued by Japanese companies during 2012~2022 and conducts empirical studies to analyze the determinants of those deals. In

section 3, it is found that both host country and mother country factors affect the outcome of CB M&As in short and midterms; Besides, corporate orientation can change the financial performance afterward in mid and long-term while Host-Mother combination brings short-midterm advantages if safer host countries are ensured. In section 4, a trade-off between the risk of mother countries and host countries, which is generated by relative risk assessment, is indicated. Safer places where institutional factors are more desirable are preferred if the buyer company has specific corporate orientation. This research contributes to both academic and professional practices by showing the mechanism inside the CB M&A black box, which not only finds host-home relations' impact but also introduces mother countries as the third party to present the triadic relationship in CB M&As and uses corporate values as IVs and finds its impact. However, the significance level of unique IVs is almost 5%~10% and some classic IVs which are mentioned in literature are not significant, which can be improved in the future using other approaches. Besides, this paper is a macro study that covers more than 1000 records, case studies that focus on specific deals may give us deeper understanding. I sincerely hope this research can be helpful to decision makers and professionals.

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