

Bidders Get Four Times as Much as Targets of M&A Synergies in Domestic Japanese Deals

Tarcisio B. da Graça, Ph.D.

Université du Québec en Outaouais, Gatineau, Canada

Abstract:

In line with recent and growing research, this paper provides strong statistical evidence indicating that *yen* M&A synergies are distributed in favor of bidders' stockholders at a 4-to-1 ratio in a sample of domestic deals in Japan from 2009 to 2020. The analysis uses pairs of deal parties and their *yen* abnormal returns to estimate the sharing of *yen* synergies directly. However, preliminary tests of the *percent* abnormal returns for each party align with the "*received wisdom*," showing that bidders' *percent* abnormal returns are not statistically significant while targets' *percent* abnormal returns are positive. The shift in conclusions arises from applying the *share methodology*, which is technically and data-wise less demanding than other recent methods that have challenged the *received wisdom*. The proposed *share methodology* effectively addresses the *yen* synergy distribution issue and could redefine a longstanding benchmark in the M&A literature, establishing a new paradigm.

Keywords:

Mergers, Acquisitions, Synergies.