

Building relationships Creating value

PwC Advisory LLC
Corporate Profile

Advisory Services



CEO Message

PwC deal advisory team leverages its wide range of experience and skills to support clients inside and outside Japan.

Megatrends are causing significant changes to the fundamental nature of society and business, while global economic uncertainty is increasing. Companies are faced with changes taking place in both the domestic and international business environment. In Japan, for example, the Corporate Governance Code has been introduced. On the global level, also, businesses must deal with the increasing complexity of laws, regulations, and tax systems. Moreover, these changes are happening more quickly than ever. In the growing uncertainty of economic and financial trends, many companies in Japan and abroad are taking a deal approach to handle the complexities, by reforming their business model and embarking upon expansion in growing markets, aiming to implement business strategies in response to globalization.

PwC Advisory LLC is a Japan-based member firm of PwC Group, which has a global network in 158* countries. We provide deal services in three arenas: M&A, business restructuring and

infrastructure. Successful enhancement of corporate value through deal advisory requires multi-faceted measures, and the PwC deal advisory team offers world-class professional services through our deal experts, based on their abundant experiences and skills. Our global network also enables leverage of other business experts in tax, legal, consulting, and audit & assurance services.

Clients should merit the best team to implement their deals, the team that is capable of fully understanding and sharing the business needs and challenges of clients. The PwC deal advisory team mobilizes enthusiastic specialists who are able to propose bold initiatives while also paying close attention to detail. It is our policy to respond to client requests and satisfy their expectations based on mutual trust, and provide services that assist them in creating new corporate value through prudent professional judgement and by leveraging our broad global network.

Yasuhiro Hirabayashi
CEO
PwC Advisory LLC

*As of June 2017

*To build trust in society
and solve important problems*

Actions for Growth

M&A Strategy, Origination, and Execution

M&A can greatly enhance corporate value if executed strategically. Successful M&A requires development of strategies for corporate management and M&A processes from a long-term perspective, coupled with quick decision-making and action.

M&A Strategy

In corporate management, M&A is a measure employed to realize business strategies, an important and inevitable course for action in today's business endeavours. However, if inconsistent with corporate strategies, it poses risks and can damage corporate value. It is thus essential to first clarify corporate strategies to ensure successful M&A.

M&A may benefit corporate activities such as developing new business and markets, improving production efficiency, and securing personnel resources. Given the growing uncertainty in society, however, the development of corporate strategy from a long-term perspective has never been more important. Without a robust strategy able to withstand changes in the business environment, a company may turn to improvised management practices.

M&A execution is just the beginning of further growth for a company. It is important to have a clear vision of the resulting company configuration, and to be fully prepared before implementation.

Speed is another crucial factor for successful M&A. With powerful strategy in place, management must promptly make decisions on necessary and effective M&A, and act on it immediately.

M&A Advisory

To ensure the success of M&A, liaison is needed to coordinate the entire deal process and bridge between the client and other stakeholders for negotiations. Similarly, a strategic divestiture requires development of a proposal for the disposal of non-core business that will produce a win-win deal between the seller and the target company or business.

The key player in this M&A process is the M&A advisor (financial advisor), whose responsibilities include: globally sourcing acquisition targets suited to the client's growth strategy, and providing end-to-end execution support in deal process management, structuring, valuation, and due diligence management. For cross-border projects in particular, specific capabilities are required of the advisor, including the abilities to cooperate with global professionals and deliver a seamless support, as well as an attitude of *Client First*, a high degree of expertise, and broad experience.



Business Portfolio Management and Divestiture

Business portfolio management is one of the key agendas in business operation for enhancing productivity and spurring business growth. This essentially requires comprehensive considerations and careful implementation.

Every business has a life cycle. In order to maintain growth, a company needs to develop new pillars in preparation to replace businesses that have reached maturity. The recent growth of the borderless economy, and technological innovation have seen competitors grow in number and diversity while business lifecycles become shorter. Investors are monitoring corporate management more stringently. Consider your company. If it engages in a wide range of business with many subsidiaries and affiliates, it is a fate-defining factor to have greater sophistication of business portfolio restructuring in keeping with the times.

A decision to undertake divestiture also requires extensive consideration and careful implementation that follow. It is necessary to identify a reasonable purchaser, determine timing and value, and also assess advantages, disadvantages, and risks to both seller and targeted business, as well as how much the business value will be enhanced or damaged. There are also matters to address such as legal procedures required for business disposal, preparation of financial statements of the targeted business, communication with employees directly affected, and comprehensive deal process management.

Business portfolio restructuring, particularly the disposal phase, requires establishment of a rational strategy to maximize sale value while minimizing risks to the seller. This, of course, must be executed in tandem with steady implementation of practical procedures.

Joint Venture and Strategic Alliance

Establishing rules with a counterpart for allocation and sharing of roles, risks, and benefits is crucial to a successful joint venture or strategic alliance.

Joint venture and strategic alliance are alternatives to M&A as a means to realize business expansion or entry into a new market. In this context, mutual trust and collaboration is more important than controlling the other party using capital power in pursuing business management and operation.

The key is to scrutinise potential risks and synergy, and to clarify rules for allocation and sharing of business functions, risks, and benefits. Other factors to address include countermeasures to manage unexpected situations such as additional acquisition or revision of the partnership. For projects that involve countries or regions prone to changes in the business environment, such as the emerging economies, it is highly recommended to have precautionary policies in place to counter their unpredictable business setting.

Merger and Acquisition

To make M&A enhance corporate value, it is essential to consider risks and synergy, and implement the process consistently.

The M&A process typically involves listing potential targets, making initial contact with shortlisted candidates, performing due diligence, calculating merger ratio/value, negotiating contract conditions, and concluding contract, before executing the integration. However, factors that need considering may differ in these processes depending on the industry and the project.

For example, in the financial industry, M&A entails IT and regulatory due diligence, which necessitates planning and implementation of post-M&A system integration and notification of the regulating authorities. M&A in the chemical industry requires identification of environmental risks and plans for restructuring R&D as well as production and distribution sites following the M&A. Meanwhile, owner enterprises and venture firms should implement a post-M&A personnel retention plan, and undertake HR and governance due diligence.

In M&A projects, it is important to examine risks and synergy as early as possible, and to develop measures to minimize those risks and maximize synergy effects.

Fundamental Structural Reform

Business Recovery and Restructuring

The Japanese economy is on a recovery path, but there are always some companies that struggle due to systematic problems specific to their industry, or that suffer from crises due to their overseas subsidiaries/affiliates either failing to perform well or engaging in misconduct. Urgent intervention is required to reorganize a failing business —using powerful measures such as regrowth strategy, structural reform, and M&A execution.

Companies today operate in a business environment that is becoming increasingly complex owing to globalization, technological innovation, and the rise of emerging countries. What is more, the changes are accelerating. Most Japanese companies, however, persist with legacy systems, such as lifetime employment, the seniority system, and the principle of total in-house production. Meanwhile, they delay fundamental reform. They have missed the opportunity for restructuring during the last two decades of stagnation.

Companies unable to adapt to these changing circumstances lose impetus rapidly and fall into crisis. They need sophisticated skills and know-how to extricate themselves from such critical situations and to form a new business

foundation which leads them back on the course for future growth. This means that they need to understand the true causes of the crisis, prepare strategies to overcome them, develop drastic and feasible measures including structural reform and M&A, coordinate with internal and external stakeholders, and monitor execution of all these stages.

Recent globalization has witnessed an increasing number of cases where companies face business degradation due to poor governance in overseas operations or subsidiaries. Such companies need systems to oversee management of subsidiaries in a manner which is informed of the differences in languages and cultures.

Forensics

Fraud usually remains undiscovered until the problem has grown. Advanced forensics technology and extensive investigative experience are essential to ensure sufficiently thorough investigations into fraud cases to uncover the reality. One effective countermeasure is forensic technology based on big data analysis that allows early detection of impropriety.

Compliance programs, internal control, and traditional risk management are essential components in fraud prevention. However, they are not always sufficient; companies need an advanced and flexible approach that can respond to the risks specific to their corporate culture, the industry in which they operate, their business category, region, and particular operations.

Rapid response is crucial in the investigation of fraud and misconduct, from initiating examination to reporting the results. Investigations require a high level of expertise, and participation of external specialists is an effective means to establish a high degree of validity. Involvement of external specialists is also valuable for providing the transparency and objectivity needed in investigative approach and results to enhance the reliability of outcomes.

Response to regulatory enforcement and overseas authorities

Many do not realize that, when an overseas regulatory authority instigates an investigation on suspicion of a price cartel or violation of laws such as FCPA (the Foreign Corrupt Practices Act of the USA), the response of a company, including the prompt information gathering, accurate recognition of facts, and appropriate reporting, can be an important factor in penalty calculation. It is also essential to prove the effective implementation of the existing compliance system during the period in question.

Leveraging forensics technology

Forensics technology, such as digital forensics and eDiscovery, is essential in investigating fraud, responding to foreign regulatory authorities, and handling global lawsuits. Through analysis and understanding of the various data possessed by a company, the technology enables us to discern such suspicious deals or connections that cannot be detected through conventional means such as deal monitoring.



Optimization of Infrastructure Development

Infrastructure Development as Capital Project

The business environment is undergoing major transformation in the Japanese and international infrastructure markets, including diversification of needs and changes in competitive and financial conditions.

In Japan, infrastructure was developed intensively during the period of country's high economic growth, and today, the majority of it is fast deteriorating. It is clear that a considerable amount of renewal investment is required, for which further utilization of private sector capabilities is indispensable. Meanwhile, developments are also underway in the PPP (public-private partnership) and PFI (private finance initiative) markets in Japan, exemplified by the concession method applied in fields such as airports and water supply. Furthermore, it is conceivable that technological innovation may explosively accelerate hitherto stagnant

infrastructure renewal. Under these circumstances, the public and private sectors must engage in fruitful discussions to enhance collaboration, and promote optimization of business frameworks and risk sharing, while private expertise and capital must be leveraged even further. Meanwhile, the global market continues to have a vigorous appetite for infrastructure, which demands proposals based upon an appropriate understanding and analysis of local needs. Furthermore, an innovative and flexible bidding strategy and speedy response are also important for securing projects.

The business environment is undergoing major transformation in the Japanese and international infrastructure markets, including diversification of needs and changes in competitive and financial conditions. The key to success is being flexible and able to plan and implement strategies without delay, which requires keen observation of the changes in circumstances and the capability to pursue a diversity of measures, including PPP, M&A, innovative financial approaches, capital policy, and partnership-building.



Three Key Features of PwC

1 Optimised team provides comprehensive support from strategy development to its execution and realization

Considerations in a deal operation vary depending on business category, region, and deal structure. Factors requiring attention may also change if conditions are altered during deal implementation.

One of PwC's unique aspects is our wide range of experts engaging in deals and consulting as well as tax, accounting and legal services. We configure teams for our clients to represent a trusted advisor who provides comprehensive support from strategy development through to execution and realization.

2 Support for cross-border M&A in over 100 countries leveraging our global network

Opportunities for corporate investment are expanding globally. In a bid for further growth, Japanese companies not only invest in major developed countries, but extend their investment to countries in farther regions such as South America and Africa. Meanwhile, there are companies in need of disposal of overseas businesses to enhance efficiency or to procure funding.

PwC Group has offices in 158* countries, with deal specialists deployed in around 100 countries. Furthermore, we offer a Japan Desk in over 30 countries/regions employing Japanese or Japanese-speaking personnel, including deal experts.

PwC Japan team leverages our global personnel network and experience to offer personalised support for our clients' enhanced corporate value.

3 Support based on data analytics

Is your company making effective use of data? Companies possess diverse data on their finances, customers, purchases, and personnel. Our experiences inform us that 90% of data held in a company lies untouched, yet has the potential to increase the company's revenue and profit if employed effectively.

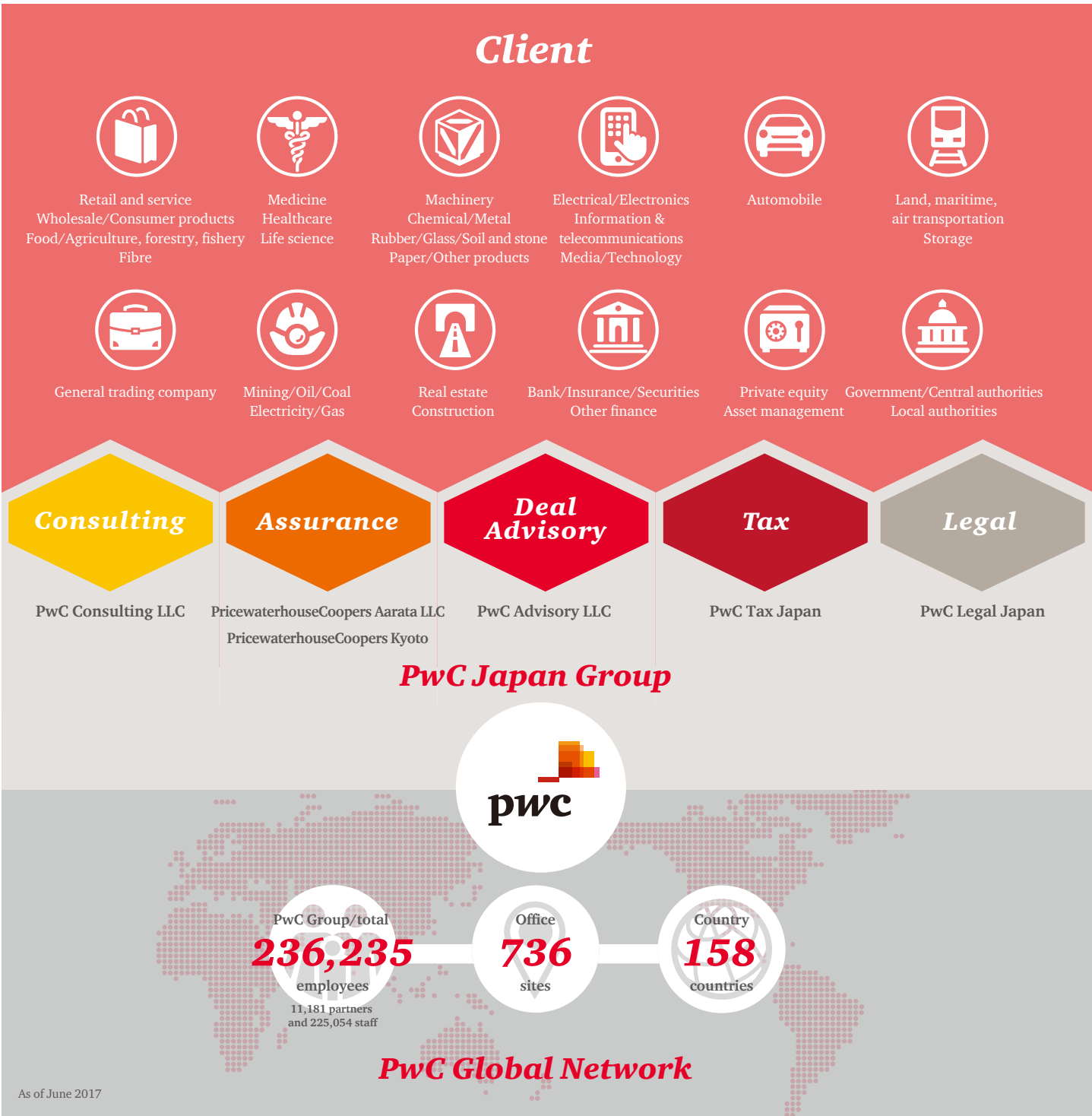
Using our data analytics technology, PwC provides clients with specific and feasible solutions towards achieving sales growth and cost reduction through multi-faceted analyses of current circumstances of the company.

*As of June 2017

PwC Support Structure

The global business environment is unceasingly transformed in a wave of so-called mega-trends, caused notably by geopolitical changes and technological advancement. We strive in continuous industry analysis and business idea creation, gathering together experts in each industrial field, to enhance the quality of our client support.

In deals with industry-specific risks and issues, our industry experts may directly participate in the actual deal process. We aim to minimize the risks to the clients and maximize their returns through the highest level of support based on global-standard industry expertise.



PwC Deal Advisory Solutions

M&A

- **M&A strategy**
Support in M&A strategy development
 - Corporate vision development
 - Managerial strategy planning
 - Business strategy planning
 - New business consideration
 - Buy-side advisory for strategic M&A
 - Sell-side advisory for M&A marketing
 - Business alliance strategy planning
 - Research advisory on potential M&A and alliance targets
Enhancement of M&A operation system
 - Hands-on support for M&A operating unit
 - M&A knowledge management support
 - Support in CVC fund planning and operation
- **Due diligence**
 - Financial due diligence
 - Business due diligence
 - Operational due diligence
 - Governance due diligence
 - Vendor/seller due diligence, sell-side support
- **Post-M&A strategy development & execution support**
 - Post-Merger Integration (PMI) support
 - Post-Merger Reintegration (Re-PMI) support
 - Taking Control (ensuring control rights of acquired company)
 - M&A review support
 - Valuation for financial reports
- **M&A transaction advisory/valuation**
 - M&A advisory (FA)
 - Transaction valuation
 - Structuring advisory
 - Advisory on price adjustment clause in M&A contract (SPA)
 - Buy-side carve-out assistance
 - Sell-side carve-out assistance
 - Joint venture formation/dissolution

Business Recovery Services

- Business plan development support
- Implementation & monitoring support
- Coordination with financial institutions, shareholders, and other stakeholders
- Business and corporate restructuring (M&A) support
- Crisis management support

Forensics

- Fraud investigation
- Legal services in relation to bribery, corruption and competition
- eDiscovery (electric discovery)
- Data analytics
- Royalty audit

PPP & Infrastructure

- Public-Private Partnership (PPP)
- Private Finance Initiative (PFI)
- Privatization advisory
- Public management advisory
- Private bidding assistance (concession/PPP/PFI/DBO)
- Overseas project assistance

Corporate outline

Company name	PwC Advisory LLC
URL	www.pwc.com/jp/en/deal-advisory
Established	June 15, 1999 (Reorganisation on February 29, 2016 launched PwC Advisory LLC)
Representative	CEO Yasuhiro Hirabayashi
No. of employees	Approx. 530 (as of June 2017)
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