

What is “Japanese-style blitzscaling method”?

Naoki Shimada, a management consultant and CEO of P&E Directions, analyzed the reasons why Nihon M&A Center Inc., which has the best performance among merger and acquisition (M&A) mediators in Japan, continues its blitzscaling business. He summarized the secrets of its success.

A term we often hear lately is “blitzscaling,” meaning explosive growth. Apple has increased its sales from ¥1 trillion to ¥2 trillion in just two years, and Amazon has tripled its total market value in three years. Both are good examples of blitzscaling.

To achieve blitzscaling, it is necessary to build and implement a unique business model that matches the business environment and current trends. As a management consultant based in Japan, I have worked with many Japanese companies, and find that some have attracted interest for their Japanese-style blitzscaling. One of these is Nihon M&A Center Inc., which was the first company to focus on business succession as an issue affecting the broader community in formulating its own business model. Established in 1991, the firm has supported small and midsize companies through mergers and acquisitions, and in 2019 it grew into a blue-chip company with net sales of ¥28.5 billion and a market capitalization of over ¥600 billion.

Companies that succeed in blitzscaling are

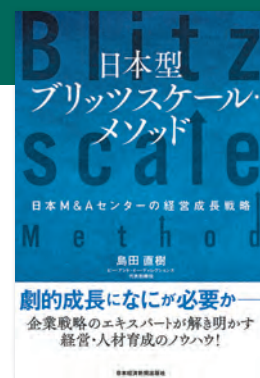
generally able to identify potential customer demand, build a structure swiftly that can respond to social and technological changes, and provide products and services to rapidly expanding customer segments. Analysis of key success factors shows that they have solidified their business models as drivers of corporate growth.

The Nihon M&A Center business model comprises five essential elements. First, there are the managers (1), who conceive of and present the vision. Next are the employees (2), who promote the vision together. Management and employees form a two-way relationship. Management presents, communicates and incorporates their vision and policy, while supporting the nurturing of employees. Employees understand and promote the vision and policies presented by their management, devise creative ways to achieve their goals, and generate results. As a means of generating business results, there are the paired elements of strategy (3) and execution (4).

To produce results, you have to establish

a feasible strategy you can execute. In other words, if the strategy is not feasible, it will not produce results. Strategy and execution do not work well if one of them is too much better than the other, because they are interdependent and work together. The most important thing is the process which executes the strategy. That consists of communication (5), which works like glue or a hinge that holds together all the other elements, management, employees, strategy and execution. The point is that this firm has succeeded in incorporating communication into the cycle so that it works as a link between management and employees and also between strategy and execution.

Note that no single one of these components necessarily has to be strong on its own. The key is that they have to be organically intertwined and mutually influential to result in a company’s unique superiority. And when all five are organically intertwined, the model enables corporate growth. The adeptness of this business model determines whether a blitzscaling effort succeeds.



Japanese-Style Blitzscaling Method: Management Growth Strategy of Nihon M&A Center
By Naoki Shimada
Nikkei Business Publications, Inc.

Changes in market capitalization of Nihon M&A Center



Success model of Nihon M&A Center



日本M&Aセンター

Leading companies to explosive growth

Naoki Shimada interviewed Suguru Miyake, president of Nihon M&A Center, about the strength of their company and their future strategies.

Shimada: American companies that succeed with blitzscaling consistently have excellent products, services and sales methods. They have also built and implemented a business model that integrates these elements, and differentiates themselves from other companies. It's from this perspective that I am focusing on Nihon M&A Center. What are the strengths of your business model?

Miyake: We create a de facto standard for M&A. In the past, experienced investment bankers were the ones that conducted M&As, but you can't achieve major expansion of business that way. We consult with SMEs that

Left: Suguru Miyake, president of Nihon M&A Center
Right: Naoki Shimada, CEO of P&E Directions



are having problems with business succession because of a lack of successors, etc., and bring them together with prospective buyers; that's our business model. We have standardized our know-how and disclosed it all to regional financial institutions and accounting firms.

Stepping up from a good company to a star company

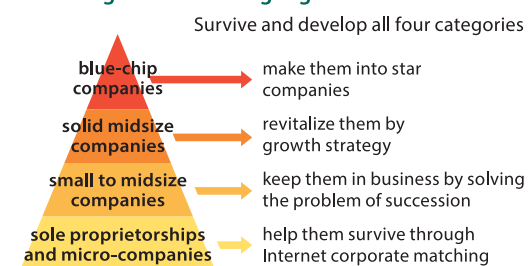
Miyake: We have always focused on revitalizing regional areas. We divide companies in those areas into four categories: (1) sole proprietorships and micro-companies, (2) small to midsize companies, (3) solid midsize companies and (4) blue-chip companies. We try to devise strategies for how to survive and develop each of them. It

is extremely important to foster “local star companies.”

Shimada: Local revitalization is only possible when there are star companies in the region that lead local companies in forming an ecosystem. This is why it is so significant to create star companies in regional areas.

Miyake: We acquired accreditation as a J-Adviser, responsible for guiding and screening companies when they list on the Tokyo Pro Market, a stock exchange for professional investors. We are eager to support young, active companies and list them on the Tokyo Pro Market — one company in each prefecture yearly. Our eventual goal is to have them list on general markets such as JASDAQ and the TSE's Mothers section.

The image of revitalizing regional areas



Corporate strategies for surviving amid COVID-19

The coronavirus crisis has created unprecedented fear and anxiety. It's a game-changing emergency that leaves us with few effective strategies. The most effective way of becoming a crisis-tolerant company is to adopt a partnering strategy, which means corporate acquisitions, and getting under the umbrella of major

companies. By implementing four strategies, any company can radically reform its business structure to reduce risk. The strategies are (1) transition from single-core business operations to multiple businesses, (2) diffuse operations, engaging in multiple areas instead of a pinpoint focus rooted in a geographical

community, (3) diversify sales channels from good-old customers to other industries, countries and regions, and (4) secure a supply chain that will not be cut off even in an emergency. It's specifically because we're in an emergency that partnering strategies must be considered.

Contributing to companies' survival and development through M&A

Nihon M&A Center Inc. is an M&A intermediary company that provides all-out support to both the company being transferred and its recipient company, working under a management philosophy in which M&As are seen as a way of helping companies survive and develop. We not only offer M&As as a form of business succession, but also propose and support friendly M&As as means of carrying out management strategies to achieve corporate growth and the reorganization of industry. We are proud to have the largest cumulative number of contracts in Japan, over 5,500. And we now have offices in Singapore, Indonesia, Vietnam and Malaysia to support cross-border M&As throughout ASEAN, which have been increasing recently.

Nihon M&A Center Inc.
<https://www.nihon-ma.co.jp/>

The Tekko Building,
home to the Tokyo Head Office of Nihon M&A Center Inc.

