

# Synergy or Anergy?

## Foreign Acquisition and Firm Productivity in Japan<sup>†</sup>

Kiyoyasu Tanaka<sup>§</sup>

September 2025

### Abstract

Cross-border mergers and acquisitions (M&A) are a prominent mode of foreign direct investment. However, there remains mixed and inconclusive evidence for the impact of foreign acquisition on acquired domestic firms. This paper contributes to the literature by employing a staggered difference-in-differences approach to address the timing variation in foreign acquisitions and constructing a novel panel dataset on Japanese firms that precisely captures the post-acquisition period for acquired firms. The results show statistically insignificant estimates for the aggregate effects of foreign acquisition on the post-acquisition productivity, suggesting neither productivity gains nor adverse effects for acquired firms. Even after accounting for general acquisition effects, foreign ownership changes have no influence on post-acquisition productivity. By contrast, canonical two-way fixed effects regressions yield significantly positive estimates, highlighting the need for methodological refinement in the literature to address heterogeneous treatment effects of foreign acquisition.

**Keywords:** M&A, acquisition, foreign firms, productivity, Japan

**JEL Classification:** F14, F21, F23

---

<sup>†</sup> This study is conducted as a part of the Project “Studies on the Current Issues for Firms’ Global Activities and the Impacts of Foreign Direct Investment” undertaken at the Research Institute of Economy, Trade, and Industry (RIETI). I would like to thank RIETI for research opportunities and the Ministry of Economy, Trade, and Industry (METI) for providing firm-level data in the Survey on Trends of Foreign-affiliated Companies and the Basic Survey of Japanese Business Structure and Activities. For useful comments, I thank Naoto Jinji, Banri Ito, Tadashi Ito, Megumi Naoi, Mitsuo Inada, Isao Kamada, Keiko Ito, Toshiyuki Matsuura, Yasuyuki, Todo, Eiichi Tomiura, Kyoji Fukao, and seminar participants at the RIETI workshop in September 2025. The opinions expressed and arguments employed in this paper are the sole responsibility of the author and do not necessarily reflect those of RIETI, METI, or any institution with which the author is affiliated. All remaining errors are my own.

<sup>§</sup> Senior research fellow, Institute of Developing Economies, JETRO; address: 3-2-2 Wakaba, Mihama-ku, Chiba-shi, Chiba 261-8545, Japan; e-mail: kiyoyasu\_tanaka@ide.go.jp