



# Trends in Japan's private equity market and related considerations —2024

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# Introduction

2023 could have been called a new leap forward for Japan's private equity industry. External conditions, including global financial circumstances, were a tailwind for Japan, and this had a major impact on the market. Specifically, the geopolitical situation focused on China, rising interest rates in most markets precipitated by global inflation, and the depreciation of the yen—all of these factors sparked renewed attention by global investors towards the Japanese market. Reflecting this, in March 2024, the Nikkei Stock market average surpassed its all-time high, recorded during Japan's bubble economy.

It is worth noting that various major deals were announced in succession within the second half of 2023. What should be mentioned first is Toshiba being taken private by a domestic corporate consortium led by Japan Industrial Partners (JIP). The acquisition amount was two trillion yen, among the largest deals since Toshiba Memory was acquired by Bain Capital in 2018. Moreover, regarding foreign-affiliated deals, EQT, who entered the Japanese market in 2021, announced a management buyout of Benesse Holdings and investment in HRBrain. Blackstone acquired 80% of Sony Payment Services, its third deal following Takeda Consumer Healthcare in 2021, and Apollo Global Management and CVC Capital Partners announced investments in Panasonic Automotive Systems and the SOGO MEDICAL Group, respectively.

I have been involved in the private equity industry for a long time, and I recall that private equity (PE) funds were once likened to vultures in the 2000s, when there was only dim awareness of the concept itself. The increasing presence of PE funds in Japan's economy suggested by the announcement of these large deals feels like a completely different world.

With the Corporate Governance Code as backdrop, the presence of activists, whose activities have picked up since around 2014, has also contributed to the increase in deals with PE funds. The aforementioned delisting of Toshiba is one example, but Fortress Investment Group acquiring Sogo & Seibu, and Japan Investment Corporation (JIC) taking JSR private stand as other examples in 2023 of a PE fund acquiring a company triggered by activists.

This is the fifth time this report has been issued, after publications in 2018, 2020, 2021 and 2022. Instead of providing a broad overview of the year as in our previous editions, this year's report aims to contribute to deepening the reader's understanding of private equity. We will examine the two major trends drawing attention in the industry: secondary transactions, which are transactions between PE funds, and rollups, in which a portfolio company of a PE fund makes additional acquisitions (buy-and-build).

In publishing this report, we received invaluable opinions and suggestions from innumerable people involved in the private equity industry, and for this we are deeply grateful.

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# 1

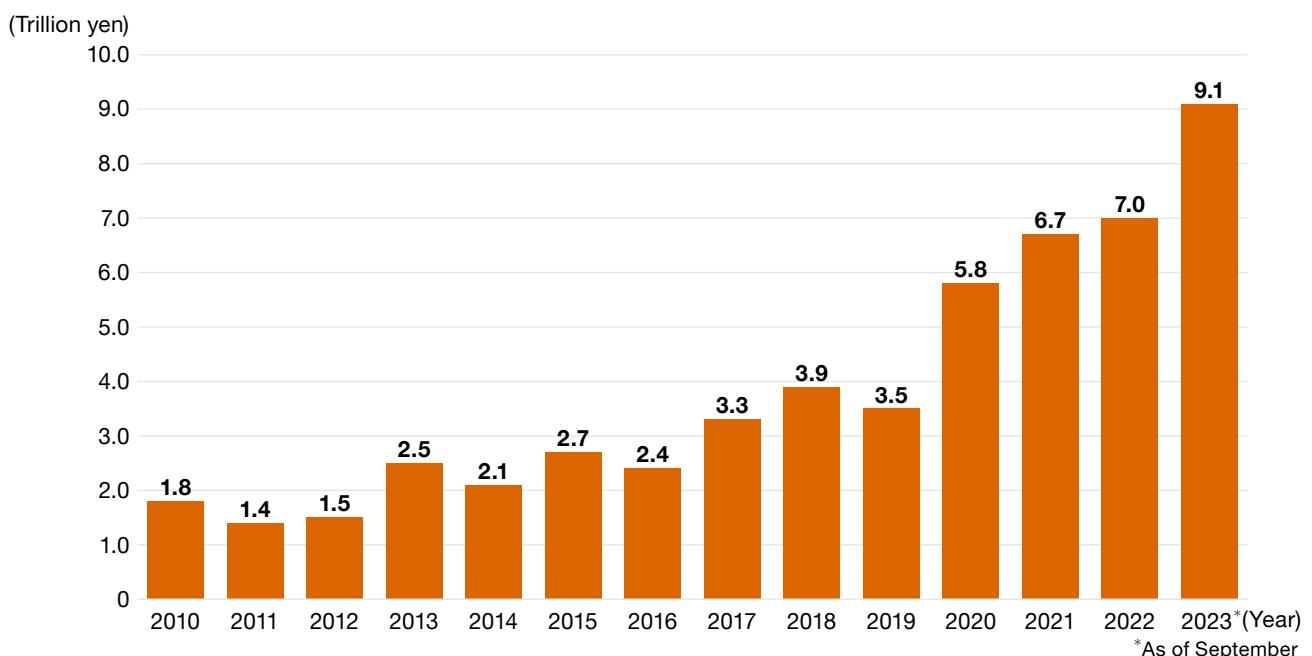
## Secondary transaction trends and outlook

As shown in Figure 1, dry powder with interest in investment in Japan has been accumulating year after year. According to the Japan Private Equity Association, the number of regular members as of September 2019 was 43, which has since risen to 62 as of the end of December 2023. However, eliminating dry powder is difficult through primary transactions (transactions that are not secondary transactions) alone. As a result, over the past three years, almost 30% of overall private equity investment has been in the form of secondary transactions.

Going forward, it is likely that secondary transactions will increase alongside growth in the amount of dry powder.

In general, when a PE fund has created value, it is difficult for another PE fund to create further value. Nevertheless, why do various secondary transactions still take place? To discover the reasons behind these transactions, we will look deeper into different types of secondary transactions, along with specific examples for each type.

**Figure 1: Amount of dry powder held by PE funds with interest in Japan as a country targeted for investment**



Source: Created by PwC from data provided by Preqin

## (1) Secondary investment as a bridge to an IPO exit

It is widely known that there are two types of private equity exits. One is through an IPO (Initial Public Offering, i.e. a stock listing) and the other is through M&A, also known as a trade sale. Private equity often makes an investment with the ultimate aim of a public listing in conjunction with the management team. However, compared to trade sales, the timing of IPOs can be difficult to manage as they are impacted by market prices and the market environment. Also, PE funds have an investment period, and if an IPO cannot be accomplished within this period, a secondary transaction becomes an option.

NARUMIYA INTERNATIONAL (apparel) and Akindo Sushiro (restaurant) are examples of this.

NARUMIYA INTERNATIONAL was publicly listed on the JASDAQ market in 2005. Subsequently, in 2010, it was taken private by SBI Capital, and in 2016, SBI Capital sold it to Japan Industrial Partners via a secondary transaction. Then, in 2018, it was

relisted on the Tokyo Stock Exchange Second Section (now TSE Standard). While the typical investment period of PE funds is five years, SBI Capital owned the company for six years from 2010 to 2016, but was unable to exit via an IPO and passed the baton to Japan Industrial Partners.

On the other hand, Akindo Sushiro was listed on the TSE Second Section in 2003. Thereafter, in 2009, it was taken private by Unison Capital, and in 2012, sold by Unison Capital to Permira Advisers (which no longer has offices in Japan) through a secondary transaction. It was then relisted on the TSE First Section (now TSE Prime) in 2017. Unison Capital started their investment in Akindo Sushiro in 2007, before it went private; therefore, their ownership lasted for five years (2007–2012) in total.

## (2) Secondary investment aimed at further growth by transferring ownership from a domestic fund to a global fund

Compared to domestic funds, global funds are generally larger in their investment scale. Global funds create value by drawing on global networks and knowledge, enabling them to increase the value of portfolio companies from a different perspective than domestic funds. There are many examples of this type of secondary transaction.

As recent examples, in 2022, KKR invested in Bushu Pharmaceuticals, and in 2023, CVC Capital Partners invested in the SOGO MEDICAL Group. Additionally, the aforementioned Akindo Sushiro can also be seen as an example of a secondary transaction involving the transfer from a domestic fund to a global fund. After being purchased by Permira Advisers in 2012, Akindo Sushiro's sales grew overseas, which led to an additional acquisition in 2016 of a company that develops sushi restaurants in the US.

Bushu Pharmaceuticals was a contract manufacturing organisation under Shionogi & Co., but in 2010, it was acquired by Tokio Marine Capital (now T Capital Partners). Subsequently, in 2014, it was sold by Tokio Marine Capital to Baring Private

Equity Asia (now EQT). Then, in 2022, KKR purchased Bushu Pharmaceuticals from Baring Private Equity Asia. Baring Private Equity Asia is an Asian PE fund headquartered in Hong Kong. In this sense, ownership of Bushu Pharmaceuticals transitioned from a domestic fund to an Asian fund, and then to a global fund.

SOGO MEDICAL Group went private in 2020 with Polaris Capital Group as the sponsor. Subsequently, in 2023, Polaris Capital Group transferred 100% of the outstanding shares to CVC Capital Partners. The acquisition amount at the time of the management buyout was just under 100 billion yen, but CVC Capital Partners is expected to pay approximately 170 billion yen.<sup>1</sup> Polaris Capital's fifth fund has approximately 150 billion yen available to invest, whereas CVC Capital Partners' sixth Asia fund has 6.8 billion US dollars, so there is room for investments in larger projects.

These are good examples of global funds adding more value after value creation by Japanese funds.



<sup>1</sup> Nihon Keizai Shimbun Digital Edition, 'Dispensing Major SOGO MEDICAL Acquired by European Fund', 15 December 2023.

### (3) Secondary investment in which a PE fund sells a subsidiary of its portfolio company to another PE fund

When a portfolio company of a PE fund consists of multiple lines of business, a portion of its business may be transferred to another PE fund for the purpose of selection and concentration.

Specific examples include the sale of Increment P (now GeoTechnologies) by Baring Private Equity Asia, the sale of SENQCIA CHAIN (now ZEXUS CHAIN) by Carlyle and the sale of Ayumi Pharmaceutical by Unison Capital. Firstly, Baring Private Equity Asia acquired Pioneer in 2018, then sold its subsidiary Increment P to Polaris Capital Group in 2021.

Secondly, in 2015, Carlyle took Hitachi Metals Techno private (its name was changed to SENQCIA in 2016), which was listed on the TSE Second Section at the time. In April 2021, Carlyle sold SENQCIA CHAIN and SENQCIA MAXCO (US), both subsidiaries of SENQCIA, to Rising Japan Equity. The next year, SENQCIA CHAIN merged with Sugiyama Chain, which was also under

Rising Japan Equity ownership, and was transferred to Mitsui Matsushima Holdings in 2023. Meanwhile, SENQCIA itself was sold to Lone Star Funds in 2022.

As the final example, Unison Capital acquired Showa Yakuhin Kako (now GC Showayakuhin) from Tokio Marine Capital via a secondary transaction in 2012. Subsequently, the dentistry domain (former Showa Yakuhin Kako) was transferred to GC in 2016, and the remaining domains were integrated with the antirheumatic drug business inherited from Santen Pharmaceutical, which were sold to Blackstone Group in 2019 as Ayumi Pharmaceutical. The cases of SENQCIA and Ayumi Pharmaceutical are examples of the acquiror PE fund adding value through a rollup. This will be considered in detail in the second section of this article.

### (4) Secondary investment in companies with large amounts of goodwill

In the 2022 report, [‘Trends in Japan’s private equity market and related considerations’](#), it was noted that Japanese companies have been cautious in acquiring companies with large amounts of intangible fixed assets.

Furthermore, it was noted that the ratio of intangible fixed assets in Japan is lower compared with other regions, but this tendency is also thought to be related to secondary investments by private equity. While companies with large amounts of intangible fixed assets, like software companies, are considered blue-chip companies with stable cash flows, they can become difficult for PE funds to sell for the above reason. Works Applications and Yayoi are good examples of such companies.

Works Applications was subject to a management buyout with Polaris Capital Group as the sponsor in 2011. Then, in 2017, it was transferred to ACA Investments Pte Ltd, and in 2019, ACA Investments Pte Ltd transferred the HR business of Works Applications to Bain Capital. Subsequently, in 2023, Bain Capital sold Works Human Intelligence, the HR business of Works Applications, to GIC for 350 billion yen. The Polaris Capital Group’s purchase amount in 2011 was 23 billion yen.<sup>2</sup>

Regarding Yayoi, numerous PE funds have been involved. In 2007, it was purchased by MBK Partners for 71 billion yen. It was then owned by ORIX and transferred to KKR in 2021 for 240 billion yen.

Japanese corporates tend to avoid goodwill, so some PE funds refrain from investing in companies with large amounts of goodwill because exiting can be difficult. PBRs of Japanese companies which tend to avoid goodwill are often under 1.0. In addition, including the goodwill challenge, many corporates are relatively reluctant to consider purchasing PE fund portfolio companies. If there are fears of goodwill amortisation, the companies should consider adopting IFRS. According to an article in the Nihon Keizai Shimbun,<sup>3</sup> ‘the balance of cash and deposits of the private corporate sector (excluding financial firms) was 343 trillion yen as of the end of June 2023; an increase of 3.7% compared to the same month of the previous year.’ This balance should be utilised for business growth, including through M&A. In addition, when acquiring a PE fund portfolio company, it is crucial to conduct due diligence not only to understand the available synergies, but also to understand the value creation that is unique to a PE fund.

Regarding PE fund investment, there are more than a few cases in which the return is higher in the secondary transaction than in the primary transaction (carveout, business succession deals, etc.). Furthermore, in relation to PE funds exiting their investments, it is also sometimes the case that PE funds may be able to submit more competitive bids than corporates.



2 Nikkei Sangyo Shimbun, ‘Management Buyout of Works AP’, 16 March 2011.

3 Nihon Keizai Shimbun, ‘Megabanks Negotiate with Companies for Rate Revival; Loan Interest Rates to Go Up or the Unprecedented; Getting Close to Exit (Part 2)’, 30 November 2023.

**Figure 2: Deals considered as secondary investment by PE funds**

Date of announcement	Acquired company/business	Industry of acquired company	Acquiring company	Selling company
Jan. 2021	Primo Japan	Retail	Integral	Longreach Group (Hong Kong)
Mar. 2021	Increment P	Computers and electronics	Polaris Capital Group	Pioneer (Parent) Baring Private Equity Asia
Mar. 2021	Sokan	Food and beverage	Nippon Sangyo Suishin Kiko	Ant Capital Partners
Apr. 2021	Via Mechanics	Machinery	Advantage Partners	Longreach Group (Hong Kong)
Nov. 2021	SENQCIA CHAIN and SENQCIA MAXCO	Machinery	Rising Japan Equity	SENQCIA (Parent) Carlyle Group
Nov. 2021	Central Tank Terminal	Transportation	KKR	Macquarie Infrastructure & Real Assets (Parent) Macquarie Group
Nov. 2021	Accordia Golf	Leisure and recreation	Fortress Investment Group (Parent) SoftBank Group	MBK Partners
Dec. 2021	Cosmolife	Food and beverage	Tokyo Electric Power Timeless Capital (Parent) Tokyo Electric Power Company Holdings	Advantage Partners
Jan. 2022	Oedo Onsen Monogatari Hotels & Resorts	Dining and lodging	Lone Star Global Acquisitions (Parent) Lone Star Funds	Bain Capital
Mar. 2022	Platia	Healthcare	NICHIGAKKAN (Parent) Bain Capital	J-STAR MIDWEST MINATO, L.P. PACIFIC MINATO II, L.P.
Mar. 2022	with	Computers and electronics	Tybourne Capital Management (Hong Kong) Akatsuki Kiraboshi Capital	Bain Capital
Mar. 2022	Factory Japan Group	Professional services	Japan-China Capital Partners	Polaris Capital Group
Mar. 2022	SENQCIA	Metals and steel	Lone Star Global Acquisitions (Parent) Lone Star Funds	Carlyle Group
Oct. 2022	Property Portfolio (Seven logistics facilities)	Real estate/property	Gaw Capital Partners	Blackstone
Dec. 2022	Oyatsu Company	Food and beverage	D Capital	Carlyle Group
Dec. 2022	Bushu Pharmaceuticals	Healthcare	KKR	Baring Private Equity Asia
Jan. 2023	HITOWA Life Partner (housecleaning business of Osouji Honpo Kawasaki-Mita)	Consumer services	MBK, MBK Biotech (Parent) MBK	HITOWA Holdings (Parent) Polaris Capital Group
Mar. 2023	Works Human Intelligence	Computers and electronics	GIC	Bain Capital
May 2023	Ecolo City	Transportation	Advantage Partners	CLSA Capital Partners (Hong Kong) (Parent) CITIC Securities
May 2023	United Precision Technologies	Metals and steel	Integral	Advantage Partners
May 2023	Japan EM Solutions	Telecommunications	Endeavour United, Kyocera, Information Services International – Dentsu (Parent) Phoenix Capital, Kyocera, Information Services International – Dentsu	Polaris Capital Group
Aug. 2023	J-CEP	Finance	Longreach Group (Hong Kong), LRG AJ Financing Cayman (Parent) Longreach Group (Hong Kong)	J-STAR
Dec. 2023	SOGO MEDICAL Group	Retail	CVC Advisers (Parent) CVC Capital Partners	Polaris Capital Group
Dec. 2023	HITOWA Holdings	Holding company	MBK Partners	Polaris Capital Group

Source: Created by PwC from databases provided by Dealogic

Note: When a parent company is different from the acquiring/selling company, the parent company name is also listed below the acquiring/selling company name.



## 2

## Rollup trends and outlook

As was mentioned in the first section, rollups are one of the more effective means that PE funds use to create value. As shown in Figure 3, there have been over 30 cases of rollup investments over the past three years in Japan. In certain industries like nursing care and staffing services, there are increasing cases of PE funds making the initial investment with the intention of a subsequent rollup. There are also cases in which management teams focus on industry reorganisation as part of their growth strategy, but have financial limitations to be able to fully undertake it on their own, so they partner with a fund to carry out the consolidation via a rollup strategy. There are often existing commercial relationships/personal connections between corporates, which lowers the hurdles for rollup acquisitions by a fund. Another advantage is to be able to utilise the M&A knowhow and experience of PE funds.

We will now introduce a few specific examples. In the nursing care industry, Carlyle invested in Solasto (formerly N.I.C. Corporation), Bain Capital invested in NICHIGAKKAN, and MBK Partners invested in TSUKUI HOLDINGS.

Carlyle invested in Solasto on the TSE Second Section in 2012, but at the time, the company's nursing care business was unprofitable. Carlyle managing director Takaomi Tomioka (currently Japan co-head) said, '[...] We acquired Cocoticare in 2014 and thereafter made several acquisitions, including those on a small scale. As a result, nursing care sales in the fiscal year immediately prior to the IPO were around 12 billion yen, and EBITDA reached approximately 1 billion yen.<sup>4</sup>

Subsequently, Solasto relisted in 2016, and its growth strategy for the nursing care business pivoted on M&A (in the form of a rollup). As a result, even after Carlyle's exit, Solasto has acquired over ten companies, including Meguminokai, Life Support, Japan Elderly Care Service, Five Cs Healthcare, Plus, Morishin, Mitsui Sumitomo Marine Care Net, Medical Lifecare, Sogo Care Network and POSSIBLE MEDICAL SCIENCE. M&A knowhow cultivated during the Carlyle years continued to benefit the organisation even after the fund's exit. In March, FY2023, the company's nursing care business sales were 48.5 billion yen. Carlyle sold shares between 2015 and 2017, and during that time, the corporate value is estimated to have risen to almost three times the investment amount.<sup>5</sup>

Bain Capital took NICHIGAKKAN, a company in the same industry as Solasto, private in 2020. During the investment period from 2021 to 2023, the company acquired 11 nursing care businesses: Nishinohon Healthcare, SOHGO SECURITY SERVICES, Platia, Nishinohon Mind, T&G, Poplar Corporation, Isshin, Matsumoto, Zaitakukaigo Service Tanpopo, Jinbo and Peers. In an interview at the time of the acquisitions, Masashi Suekane, then managing director at Bain Capital, commented, '[...] We will not just cut costs; we will actively grow the topline as well and undertake M&A, and other activities for the rollup.<sup>6</sup> The acquisition cost of NICHIGAKKAN in 2020 was reported to be over 100 billion yen, and it was sold to Nippon Life for 210 billion yen in 2023. It goes without saying that the rollup played a critical role in value creation.

4 No. 77 MARR Online, 'Solasto, Over Four Years Since Carlyle's Management Buyout; All the Corporate Reforms that Led to Listing on the TSE First Section', Web Interview, 18 January 2017.

5 Asahi Shimbun Digital, 'Fund Making Purchases in Nursing Care; the Reason it is Able to Pursue Profit', 25 May 2021.

6 Marr Monthly, 'Talk by Bain Capital's Person in Charge: Background and Growth Strategies of the NICHIGAKKAN Management Buyout', December 2020, No 314, 'Marr Report—Corporate Case Study—', 23 October 2020.

Finally, we will touch on a rollup in the nursing care industry conducted by MBK Partners. MBK Partners made an investment into a wholly owned subsidiary of TSUKUI HOLDINGS, a major company in the nursing care industry, in 2021. Subsequently, in 2023, it purchased another major nursing care company, UNIMAT Retirement Community, and further acquired HITOWA Holdings from Polaris Capital Group. According to reports, TSUKUI HOLDINGS had net sales of 49.1 billion yen in March, FY2021, UNIMAT Retirement Community had net sales of 58.5 billion yen in the same year,<sup>7</sup> and HITOWA Holdings had sales of over 60 billion yen at acquisition.<sup>8</sup> Combined, their sales levels are among the top in the industry.

In addition, there is also a similar number of rollups in dispensing pharmacies. As mentioned above, SOGO MEDICAL Group, which Polaris Capital Group invested in, Kirindo Holdings, which was purchased by Bain Capital, Allos one, a portfolio company of Ant Capital Partners, and Community Healthcare Coordination Platform, a group company of Unison Capital, have all increased the number of their stores through M&A.

In the manufacturing industry, there are numerous rollup deals involving PE funds, but here we will look at the representative examples of Apollo Global Management's integration of the aluminium businesses of Showa Denko and Mitsubishi Materials, and the purchase of Alinamin Pharmaceutical's Yuuka Holdings by Blackstone.

Apollo Global Management purchased the aluminium business of Showa Denko (now Resonac) in January 2021, and then the aluminium business of Mitsubishi Materials in November 2021. After integration, the name was changed to ALTEMIRA Holdings in 2022. This integration is expected to increase the ability to negotiate on price with customers and produce synergies in material procurement. The goal is to be publicly listed in 2025.

At the Value Creation Forum 2023, held by the PwC Japan Group, Hidehito Takahashi, representative director, president and chief executive officer of Resonac Holdings, looking back on the acquisitions, said, 'This was a large-scale investment that the company would not have been able to do on its own, and the business was successfully strengthened and expanded; this overall growth of the business has been beneficial for our employees.'

Blackstone acquired Takeda Consumer Health Care (now Alinamin Pharmaceutical) from Takeda Pharmaceuticals in 2021, and Yuuka Holdings, which handles soap, Cha no Shizuku and other skincare products, in 2022. According to an article in the Nihon Keizai Shimbun,<sup>9</sup> 'Through incorporating the catalogue distribution knowhow of Yuuka Holdings, in the future, they plan to raise the catalogue distribution rate by around 15%.' Atsuhiko Sakamoto, representative director of Blackstone Group Japan, senior managing director and head of private equity in Japan, said, '[...] From screening target companies to approaching them, Blackstone consistently supports deal origination, and we identified Yuuka Holdings.'<sup>10</sup>

Resonac, the parent company of ALTEMIRA Holdings, and Takeda Pharmaceuticals, the parent company of Alinamin Pharmaceutical, have commonalities. Showa Denko, the predecessor of Resonac, acquired Hitachi Chemical in 2020, and Takeda Pharmaceuticals acquired the major global biotechnology company Shire in 2018. They both conducted major acquisitions before ALTEMIRA Holdings and Alinamin Pharmaceutical were sold to PE funds. In a sense, both companies can be assumed to have not had the financial latitude to support corporate acquisitions for the growth of ALTEMIRA Holdings and Alinamin Pharmaceutical. Whatever the case, they are good examples of being able to execute a new growth strategy by bringing them under the PE fund umbrella.

According to an article in the Nihon Keizai Shimbun,<sup>11</sup> 'In the government's economic and financial white paper for 2023, announced on the 29th, it stated that increasing the "price control capability", which is the ability of a company to raise prices, is an issue in getting out of deflation.' Many industries in Japan have a large number of players, and amid excessive competition in Japan, industry reorganisation through rollups by PE funds serves to promote the rejuvenation of Japan's economy.



7 Nihon Keizai Shimbun, 'UNIMAT Nursing Care Purchased by an Asian Fund for Several Hundreds of Millions of Yen', 27 January 2023.

8 Nihon Keizai Shimbun, 'Asian Fund Purchases Nursing Care Company Irize for \90.0 billion', 25 December 2023.

9 Nihon Keizai Shimbun, 'Acquisition of Alinamin Pharmaceutical and Cha no Shizuku's Yuuka Holdings', 15 November 2022.

10 Marr Monthly, 'Discussing the growth strategy of the new Alinamin Pharmaceutical', February 2023, No. 340, 'Special Interview', 13 January 2023.

11 Nihon Keizai Shimbun, 'Japan Unable to Produce Star Companies; Ability to Raise Prices Weaker than US and Europe: Breaking Free of Excessive Competition, Stark Differences by Industry, Aggregation Making No Progress in Petrochemicals Industry While M&A Paying Dividends for Semiconductors', 30 August 2023.

**Figure 3: Deals considered as rollups by PE funds**

Date of announcement	Acquired company/business	Industry of acquired company	Major acquiring company	Notes
Jan. 2021	SystemEXE	Computers and electronics	WingArc1st (Parent) Carlyle Group	Capital and business alliance
Jan. 2021	Showa Aluminum Can	Metals and steel	Apollo Global Management	Showa Denko (selling company)
Feb. 2021	Rise UP	Retail	T-Garden (Parent) Integral	Capital and business alliance
Feb. 2021	N Field	Healthcare	Unison Capital	Tender offer
Feb. 2021	Xirapha Karte System	Computers and electronics	PHC Holdings (Parent) KKR	Xirapha Karte System (selling company)
Mar. 2021	KOHIKAN	Dining and lodging	CHAT NOIR (Parent) Longreach Group (Hong Kong)	Merger
Jun. 2021	Nishinihon Healthcare	Healthcare	NICHIIGAKKAN (Parent) Bain Capital	LeTech (selling company)
Aug. 2021	Ecolecriollo	Retail	Advantage Partners	Business succession
Aug. 2021	Along with	Computers and electronics	Casa (Parent) Ant Capital Partners	Business succession
Sep. 2021	Maftec	Chemicals	Apollo Global Management	Mitsubishi Chemical Holdings (selling company)
Nov. 2021	Accordia Golf	Leisure and recreation	Fortress Investment Group (Parent) SoftBank Group	MBK Partners (selling company)
Nov. 2021	Universal Can	Metals and steel	Showa Aluminum Can (Parent) Apollo Global Management	HOKKAN HOLDINGS, Mitsubishi Materials (selling company)
Jan. 2022	AISEI PHARMACY - two pharmacies (Okurayama and Mukogawa)	Retail	Kirindo Holdings (Parent) Bain Capital	Aisei Holdings (selling company)
Jan. 2022	traevo	Computers and electronics	WingArc1st (Parent) Carlyle Group	Capital infusion via third-party allotment
Jan. 2022	Nursing homes	Healthcare	NICHIIGAKKAN (Parent) Bain Capital	ALSOK Care (selling company)
Feb. 2022	TSUKUI STAFF	Professional services	TSUKUI HOLDINGS (Parent) MBK Partners	Tender offer
Feb. 2022	PokkaCreate	Dining and lodging	Longreach Group (Hong Kong) (Parent) Longreach Group (Hong Kong), C-United	Sapporo Group Food (selling company)
Mar. 2022	Platia	Healthcare	NICHIIGAKKAN (Parent) Bain Capital	J-STAR, MIDWEST MINATO, L.P., PACIFIC MINATO II, L.P. (selling companies)
Apr. 2022	Peacs	Publishing	ADDIX (Parent) Endeavour United	Dream Incubator (selling company)
Apr. 2022	Akarie	Healthcare	TSUKUI HOLDINGS (Parent) MBK Partners	
May 2022	Kito	Machinery	Crosby Group (Parent) KKR	
Aug. 2022	Minamisouken	Construction/building	Endeavour United (Parent) Phoenix Capital	Merger
Aug. 2022	TAKE and GIVE NEEDS	Consumer services	NICHIIGAKKAN (Parent) Bain Capital	
Aug. 2022	PUP	Healthcare	TSUKUI HOLDINGS (Parent) MBK Partners	Merger
Oct. 2022	Isshin (nursing home in Chiba)	Healthcare	NICHIIGAKKAN (Parent) Bain Capital	Isshin (selling company)
Nov. 2022	Yuuka Holdings	Retail	Alinamin Pharmaceutical (Parent) Blackstone	
Jan. 2023	UNIMAT Retirement Community	Healthcare	MBK Partners	
Mar. 2023	Round Cosmos Omiya	Healthcare	NICHIIGAKKAN (Parent) Bain Capital	Matsumoto (selling company)
Jun. 2023	HIROTSU BIO SCIENCE	Healthcare	SOGO MEDICAL (Parent) Polaris Capital Group	Capital and business alliance
Jul. 2023	Group Home Nagomi no Ie	Healthcare	NICHIIGAKKAN (Parent) Bain Capital	Jinbo (selling company)
Jul. 2023	Zaitakukaigo Service Tanpopo	Healthcare	NICHIIGAKKAN (Parent) Bain Capital	
Oct. 2023	Chiiki Zukan	Professional services	Uzabase (Parent) Carlyle Group	Capital and business alliance
Oct. 2023	Life Log Technology	Computers and electronics	SOGO MEDICAL (Parent) Polaris Capital Group	Capital and business alliance
Dec. 2023	HITOWA Holdings	Holding company	MBK Partners	Polaris Capital Group (selling company)

Source: Created by PwC from databases provided by Dealogic

Note: When a parent company is different from the major acquiring company, the parent company name is also listed below the acquiring company name.



# Conclusion

The history of private equity in Japan is still a relatively short one. Advantage Partners and Unison Capital, known as long-established firms, were founded in 1992 and 1998, respectively. Foreign-affiliated Carlyle and Bain Capital set up their Japan offices in 2000 and 2006, respectively. In addition, the Japan Private Equity Association was founded in 2005 with just eight members at the time. As of 2023, it had 62 regular members. From the dawn of private equity in Japan until today, there have been a number of major crises, including the financial crisis of 2008, the Great East Japan Earthquake in 2011 and the COVID-19 pandemic. Overall, looking back, it is no exaggeration to say that private equity has progressed leaps and bounds. Not only has the number of general partners increased, but the scale of investment and the methods used have broadened significantly. This report demonstrates the industry's growth through examples of secondary investment and rollups.

However, there is still room for further development of the private equity industry in Japan. In terms of scale, the ratio of private equity investment to GDP is over 2% in the US but only around 0.2% in Japan, so growth is expected.<sup>12</sup> The major news in 2023 was the market listing of Integral. Blackstone listed in 2007, KKR in 2010 and Carlyle in 2012. Such funds are expanding investment targets to infrastructure, credit, real estate and more. It would be no surprise to see the number of listed funds increase in the future.

In addition, the existence of LBO loans via indirect (bank) finance, which is unique to Japan, and the impact it receives by the coming era of rising interest rates should be closely watched. There are many cases in the US and Europe of private equity finance involving the issuance of corporate bonds. In Japan, credit ratings were acquired for WILLCOM in 2005 and Covalent Materials in 2008, and bonds were issued, but none have been issued since then. In Japan, where liquidity is ample, the development potential for a debt capital market is unknown, and various actions related to credit may emerge as well.

At any rate, it goes without saying that private equity has an important role to play in Japan's economic transformation and pension management, and further development can be expected.



<sup>12</sup> Japan Private Equity Association, 'Japan's Private Equity Market as Viewed by Overseas Institutional Investors', 28 July 2022.



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In response to our clients' increasingly complex and diverse corporate management issues, the PwC Japan Group has put in place a system that consolidates our knowledge in the fields of auditing and broader assurance services, consulting, deal advisory, tax and legal services, and encourages organic collaboration among our professionals in each field. As a professional services network with approximately 11,500 certified public accountants, tax accountants, lawyers and other professional staff, we strive to provide services that more accurately address our clients' needs.

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with nearly 364,000 people who are committed to delivering quality in assurance, advisory and tax services.

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