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Asia Pacific Private Equity 2025 Almanac

Japan edition

Deloitte Private Equity

A greater return on ideas

Contents

Executive summary

2024 was a year of mixed fortunes for PE in Japan. While it remained the most active market in terms of deal count in Asia Pacific, the absence of 2023's mega deals left deal values lagging behind. Fundraising outperformed the rest of the region by some margin and PE seems to be increasingly accepted and valued as an exit route for corporates looking to rationalise their portfolios.

Smaller deals proliferating

Japan's political and economic stability, low-interest rates, and regulatory and activist pressure have combined to deliver growing momentum in deal making in Japan. The last quarter of 2024 hit a 10-year record for deals announced. Overall, deal volumes are trending up but the absence of mega deals such as those seen in 2023 mean that overall deal value are significantly down. This reflects at least part of the wider regional dynamic, which has seen an increase in smaller deal numbers, including a growing number of public-to-private (P2P) transactions, corporate carve-outs and portfolio rationalisations, as companies respond to pressure for higher returns in their core businesses.

This trend towards higher numbers of smaller deals is evidenced in Japan's key sectors – consumer, TMT, industrials, healthcare and business services – all of which saw deal numbers rising. The consumer sector, however, bucked the trend for falling total deal values delivering instead a 43% increase and more than one-third of the entire region's deals in this sector.

Raising large funds but not delivering large exits

Japan led the Asia Pacific region in fundraising in 2024 with the largest players significantly increasing the scale of funds raised in the year. In fact, Japan contributed more than one-third of Asia Pacific's total fundraising, benefitting in part from investors' desire to look beyond China.

However, while the number of PE exits rose in 2024, the exit-to-investment ratio[1] remained stubbornly low, possibly reflecting higher entry multiples and high valuation expectations from GPs using the strong stock market performance as their benchmark.

1. The ratio of number of exits versus number of investments

PE investments

Increase in P2P transactions and increased competition for large-cap transactions

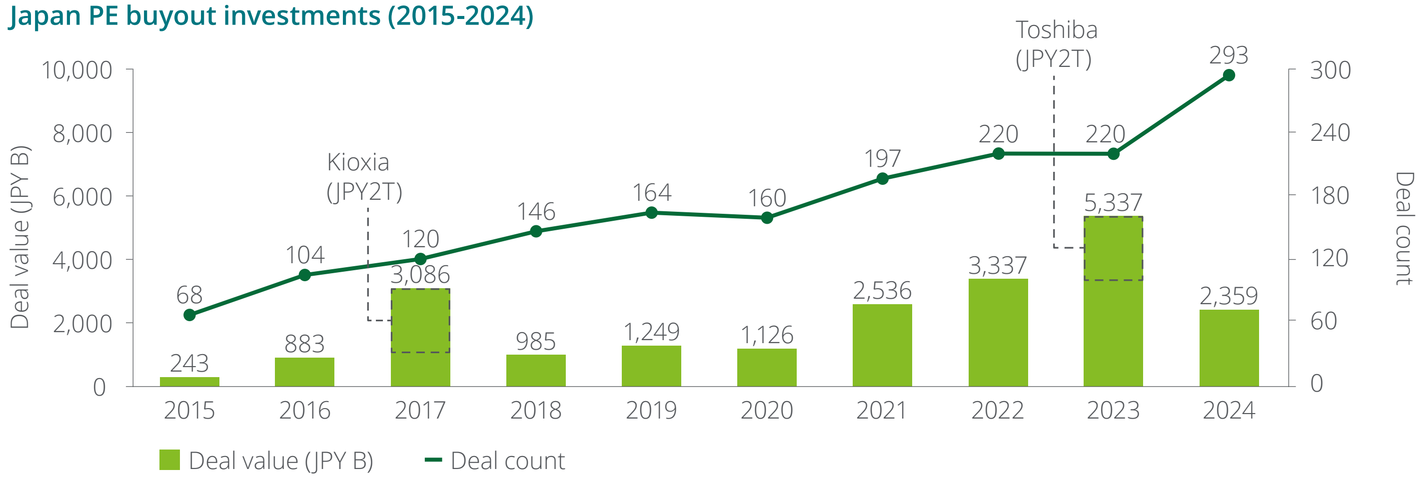
In the absence of the kind of mega deals such as Toshiba (JPY2T), JSR (JPY900B) and Shinko Electric Industries (JPY685B) that made 2023 a record-breaking year, total buyout deal value in Japan in 2024 fell to JPY2.4T (US$15.9B), a decline of 56%. Buyout deal numbers, however, were 33% higher, up from 220 to 293 in 2024 – a record high. In fact, the fourth quarter of 2024, was the busiest quarter in the past decade with 88 deals announced.

Japan's positive deal-making momentum indicates investors' strong and continued focus on the Japan market. Its economic and political stability, low-interest-rate environment, the Tokyo Stock Exchange's (TSE) capital-efficiency guidance, and the growing presence of activist investors in Japan have all combined to fuel P2P transactions.

According to the TSE, 43% of the companies in the Prime market and 58% in the Standard market have a price-to-book (P/B) ratio below one, and the number of such companies is significantly higher compared to listed firms in the US and Europe: less than 5% for S&P 500 companies and less than 25% for Euro Stoxx companies. Figures from December 2024's Russell/Nomura Japan Indexes show that the P/Bs of Japanese value stocks for the small and mid-cap segments are 0.82 and 0.86 respectively.[2] Both are lower than the large-cap segment at 0.94, suggesting that small-cap and mid-cap stocks are undervalued. More than 90% of listed Japanese companies are in the small-mid-cap segment. In addition, a number of Japanese listed companies hold ample cash on balance sheet and with undervalued stock price, these net-cash companies are vulnerable to activist investors since they are likely to be able to pay out cash by way of dividends or share buybacks. This may have increased the chance of private equity (PE) in Japan acting as a white knight or a facilitator for exists for activists. As a result, 2024 saw continued momentum in PE-led P2P transactions. Japan closed the year with 14 (42%) of Asia Pacific's total of 33 PE-led P2P deals and 12 of these were small-and mid-cap deals.

Investor-friendly corporate governance reforms, the TSE's capital-efficiency guidance and shareholder activism also helped Japanese companies to pursue business portfolio rationalisation and improve capital efficiency. PE has become known as a viable and respectable exit solution to Japanese companies including conglomerates. Japan has seen an increasing number of large carve-out transactions and buyout deals involving PE, such as the Infocom and Toshiba deals, but large-cap deals are still limited in relation to the rising number of large-cap PE players in Japan, leading to intensifying competition and, in turn, higher valuations.

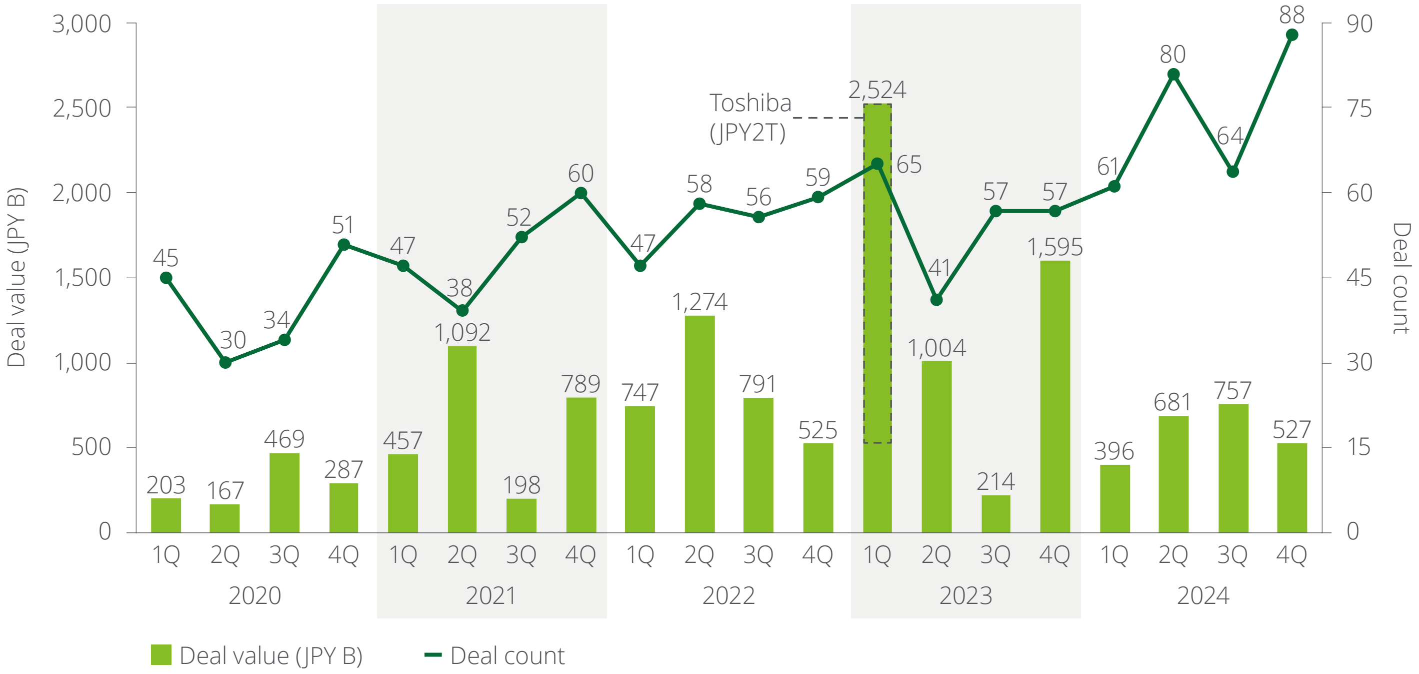
Japan PE buyout investments (2015-2024)



Source: Deloitte analysis

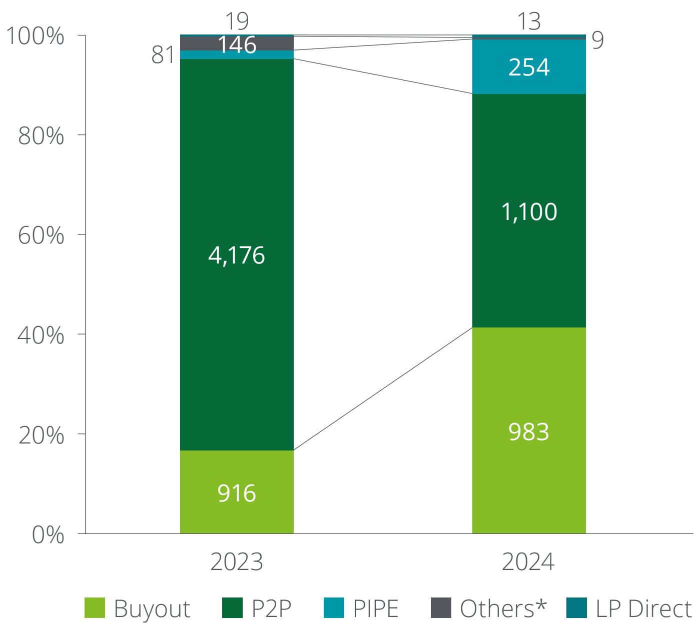
2. Russell/Nomura Japan Indexes from Nomura Fiduciary Research & Consulting

Japan buyout deal value and count by quarter



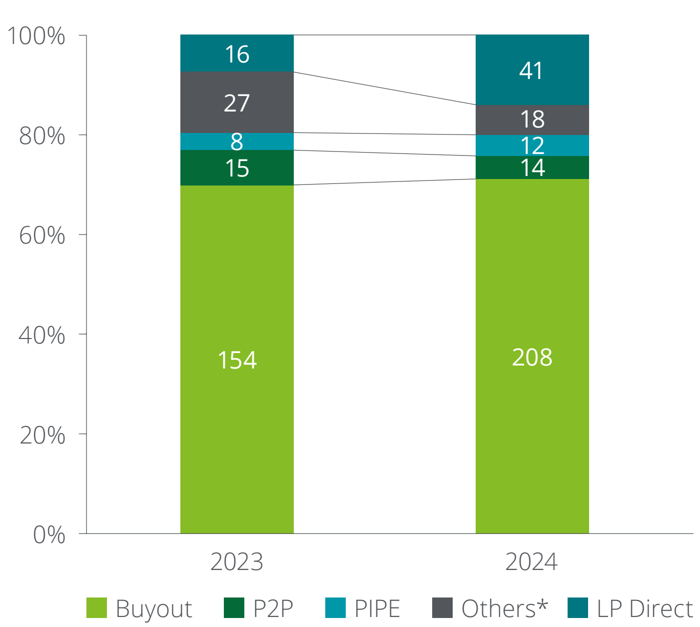
Source: Deloitte analysis

Japan buyout investments deal value (JPY B) by deal type



Source: Deloitte analysis
*Note: primarily minority growth, Pre-IPO, and JV investments

Japan buyout investments deal count by deal type



Source: Deloitte analysis
*Note: primarily minority growth, Pre-IPO, and JV investments

Fundraising

2024 was a slow year for Asia Pacific PE fundraising generally, but Japan was the exception. With JPY1.1T worth of JPY-denominated buyout funds closing during 2024, Japan took the lead in Asia Pacific buyout fundraising, contributing over one-third share of the region's total. Japan not only benefitted from its positive deal-making momentum, but also from investors' interest shifting away from China/RMB-denominated funds.

Meanwhile, in line with the rest of Asia Pacific countries, Japan's fundraising has been concentrated into blue-chip GPs, as evidenced by high fundraise value despite the low number of funds closed.

Riding the wave of Japan's positive fundraising environment, Carlyle and Integral significantly increased the size of new funds closed in 2024, reaching JPY430B and JPY250B respectively compared with JPY258B and JPY123.8B for their previous vintages. Carlyle's new Japan fund is aimed at investments ranging from mid- and large-cap business succession deals to large carve-out deals.

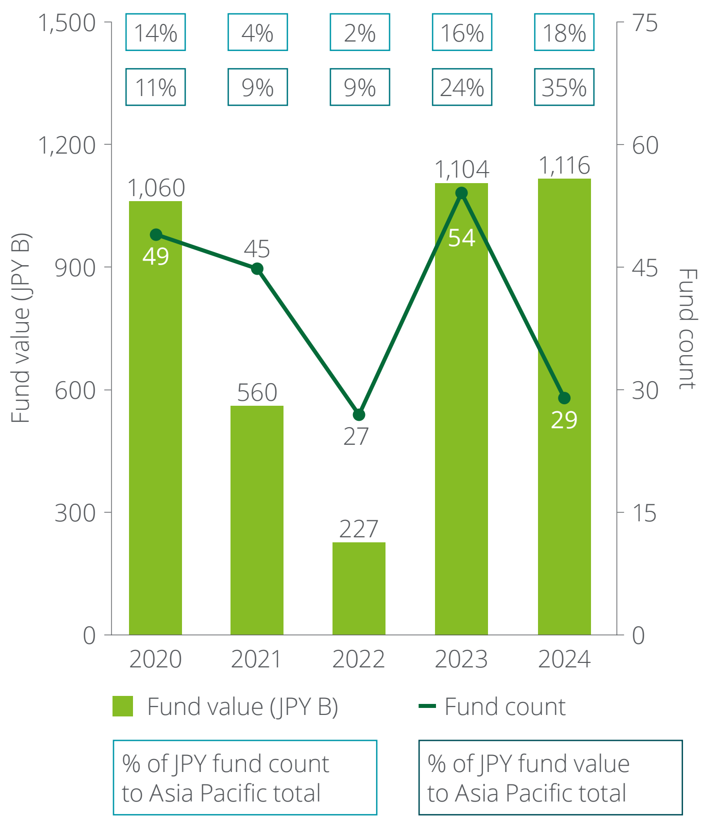
> 2024 was a slow year for Asia Pacific PE fundraising generally, but Japan was the exception.

Top 5 JPY-denominated PE buyout funds closed in 2024[3]

#	Fund	Vintage	Final close date	Fund size
1	Carlyle Japan Partners V	2023	May 2024	JPY430B (US$2.8B)
2	Integral V	2023	May 2024	JPY250B (US$1.6B)
3	AG IV Series Funds	2024	Dec 2024	JPY86.7B (US$568M)
4	Longreach Capital Partners 4	2023	Sep 2024	JPY78B (US$555M)
5	JGIA Fund III	2024	Mar 2024	JPY65B (US$436M)

Source: Preqin, Deloitte analysis

JPY-denominated PE buyout funds closed (2020–2024)[3]



Source: Preqin, Deloitte analysis

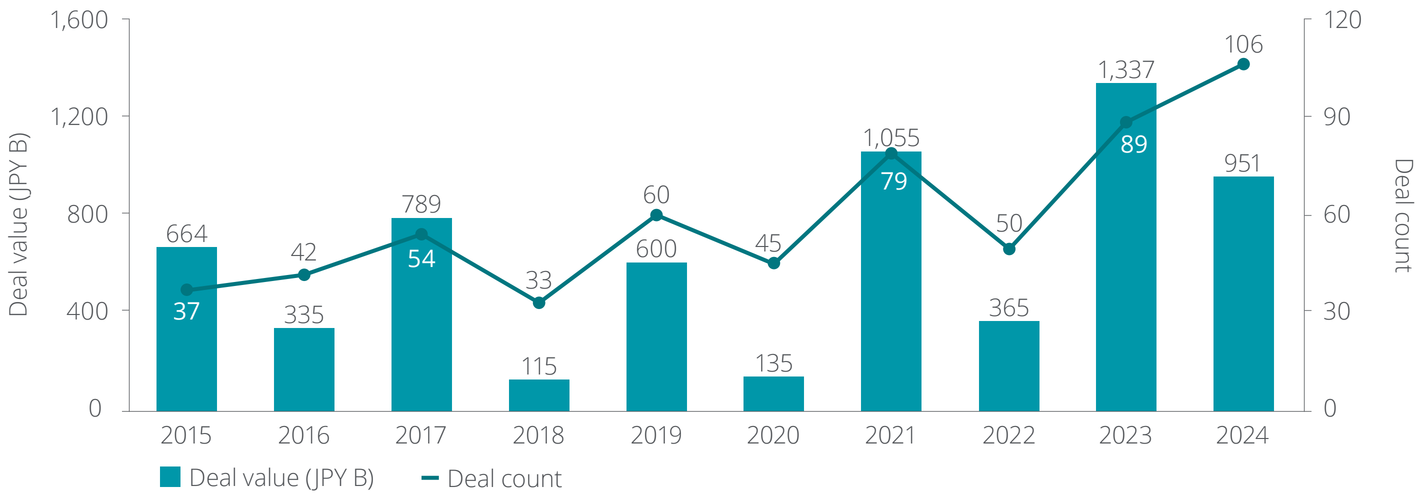
3. Include JPY-denominated PE funds with buyout, growth, and balanced strategies

PE exits

While low interest rates and pressure from regulators and activist investors to improve capital efficiency and increase shareholder value continue to drive PE investment momentum, the same cannot be said for exits. Although PE exit counts in Japan rose 19% to a record high of 106 in 2024, the exit-to-investment ratio continues to be relatively low at 0.23x in 2022, 0.40x in 2023 and 0.36x in 2024. Reduced exit activity in Japan could be attributed to higher entry multiples, which prompt sellers to wait for better valuations. Meanwhile, strong stock market performance, which delivered a TOPIX Total Return of 20.5% in 2024 also impacted exits, with GPs viewing high equity-market valuations as a benchmark for their exits.

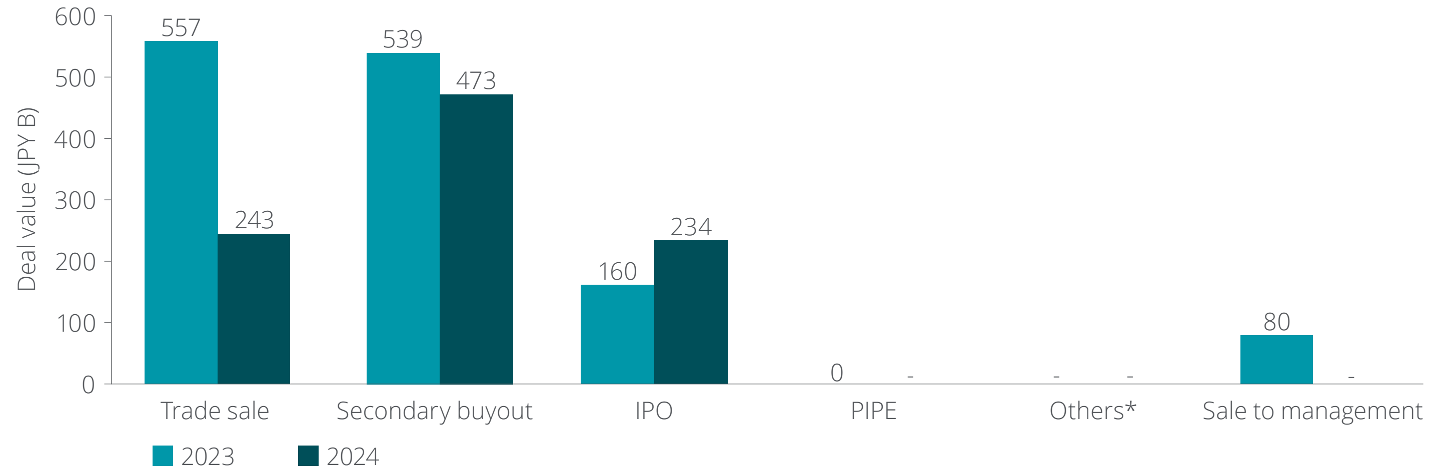
One of the main forms of exit in Japan is trade sales (sales to corporate buyers), which account for 68.9% of total deals. Five of the top 10 PE exits in Japan in 2024 were to corporate buyers. Secondary buyouts (sales to PE buyers) have also now become established as a means of exit, particularly for large-cap deals. For instance, Blackstone partially sold Alinamin Pharmaceutical to MBK Partners for JPY350B in the largest PE exit in Japan's healthcare sector over the last 10 years.

Japan PE buyout exits (2015-2024)



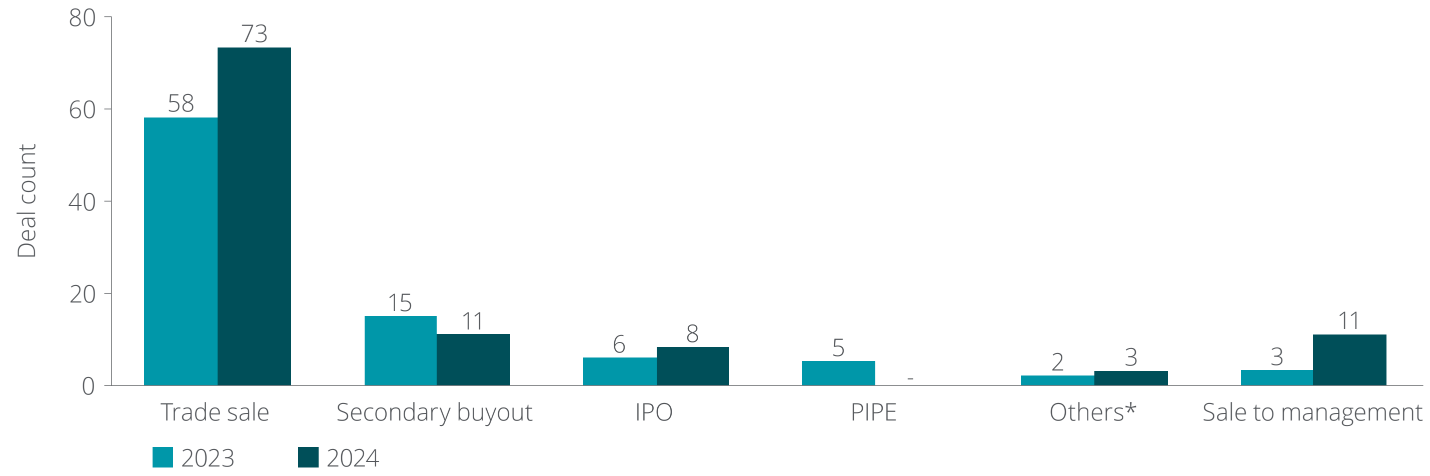
Source: Deloitte analysis

Japan exit deal value (JPY B) by deal type



Source: Deloitte analysis
*Note: primarily bankruptcy/write-off, and unspecified exit

Japan exit deal count by deal type



Source: Deloitte analysis
*Note: primarily bankruptcy/write-off, and unspecified exit

Sector trends

PE investments in Japan cover a wide range of sectors, including consumer, technology, media, and telecommunications (TMT), industrials, healthcare and business services.

The consumer sector was particularly active in Japan in 2024 with 82 deals announced, hitting a 10-year high and accounting for 37% of all consumer-sector deals in Asia Pacific. PE investment value in the consumer sector also experienced an upward trend, ending the year at JPY518B, up 43% year-over-year (YoY). The sector's positive momentum has been supported by Japan's large domestic consumer market, as well as strong brands that can be expanded into multiple countries.

Momentum in the TMT sector continued, with 52 deals announced for a total of JPY602B. A notable deal in the sector is Blackstone's JPY276B take-private of Japan's e-comics platform, Infocom.

Japan is renowned for its industrial sector, with advanced technology and expertise that can build overseas bases to capture growing demand and strengthen revenue. In 2024, Japan's industrial sector saw a very significant rise in deal count but an equally significant fall in total deal value: 49 deals were announced, up 88% YoY, but with a total value of JPY443B, which was down 86% YoY. However, this fall is attributable to the absence of mega deals like 2023's Toshiba (JPY2T) and JSR (JPY900B) deals. If these are discounted from 2023's figures, total deal value in 2024 was actually up by ~60% YoY.

Japan's healthcare PE activity continued to grow in 2024, with total deal value of JPY426B, up almost 50% from 2023. The sector continues to benefit from the increase in demand for home and senior-care services associated with Japan's ageing population.

Business services are another focus for PE in Japan, largely because of increased demand for outsourcing by Japanese companies seeking to address labour shortages and reduce operating costs.

Japan top buyout investment sectors by deal count

	2024 (rank)		2023 (rank)
Consumer	82 (#1)	—	62 (#1)
TMT	52 (#2)	—	59 (#2)
Industrials	49 (#3)	^	26 (#4)
Business Services	43 (#4)	˅	27 (#3)
Energy, Utilities, Infra. & Real Estate	34 (#5)	—	19 (#5)

Source: Deloitte analysis

Japan top buyout investment sectors by deal value (JPY B)

	2024 (rank)		2023 (rank)
TMT	602 (#1)	^	1,193 (#2)
Consumer	518 (#2)	^	362 (#3)
Industrials	443 (#3)	˅	3,176 (#1)
Healthcare	426 (#4)	^	290 (#5)
Business Services	289 (#5)	˅	315 (#4)

Source: Deloitte analysis

Appendix

Japan top 10 PE investments in 2024

#	Target company	Deal date	Deal type	Investors	Sellers	Industry	Deal size
1	Alinamin Pharmaceutical	Jul 2024	Buyout	MBK, Blackstone	Blackstone	Pharma	JPY350B (US$2.3B)
2	Infocom Corp	Jun 2024	P2P	Blackstone	–	Telecomms & Media	JPY275.7B (US$1.9B)
3	Panasonic Automotive Systems	Mar 2024	Buyout	Apollo	Panasonic	Automotives	JPY240B (US$1.6B)
4	Fuji Soft	Nov 2024	PIPE	KKR	3D Investment Partners, Farallon Capital Management	Software	JPY194.8B (US$1.3B)
5	Samty	Nov 2024	P2P	Hillhouse	–	Business Services	JPY169B (US$1.1B)
6	T-Gaia	Nov 2024	P2P	Bain	–	Retail / Wholesale	JPY140B (US$941M)
7	KFC Holdings Japan	May 2024	P2P	Carlyle	Mitsubishi Corporation	Hospitality & Leisure	JPY130B (US$874M)
8	Tasaki & Co.	Apr 2024	Buyout	FountainVest, Unison Capital	MBK	Retail / Wholesale	JPY100B (US$686M)
9	Red Baron Group	Sep 2024	Buyout	Bain	–	Automotives	JPY100B (US$672M)
10	Trancom	Sep 2024	P2P	Bain	–	Business Services	JPY96B (US$644M)

Source: Deloitte analysis

Japan top 10 PE exits in 2024

#	Target company	Deal date	Deal type	Sellers	Investors	Industry	Deal size
1	Alinamin Pharmaceutical	Jul 2024	Secondary Buyout	Blackstone	MBK, Blackstone	Pharma	JPY350B (US$2.3B)
2	Tokiwa Corporation	Jun 2024	Trade Sale	Carlyle	Nihon Kolmar Holdings	Consumer Products	US$800M
3	Rigaku Holdings	Oct 2024	IPO	Carlyle	–	Medical Devices	JPY112B (US$755M)
4	Kioxia Holdings	Dec 2024	IPO	Bain, Toshiba Corporation	–	Hardware	JPY105B (US$694M)
5	Tasaki & Co.	Apr 2024	Secondary Buyout	MBK	FountainVest, Unison Capital	Retail / Wholesale	JPY100B (US$686M)
6	Lincstech Co.	Dec 2024	Trade Sale	Polaris	Global Brands Manufacture	Hardware	JPY40B (US$263M)
7	Sukesan Co.	Sep 2024	Trade Sale	Unison Capital	Skylark Holdings	Hospitality & Leisure	JPY24B (US$161M)
8	Payroll Inc.	Jan 2024	Secondary Buyout	Creation Capital (~46.65% stake) and other shareholders	TA Associates	Business Services	JPY22B (US$150M)
9	Kizuna Holdings Corp.	Aug 2024	Trade Sale	Advantage Partners	San Holdings	Consumer Services	JPY14B (US$93M)
10	Dainichi Co.	Sep 2024	Trade Sale	J-STAR	Maruichi Co.	F&B	JPY11B (US$74M)

Source: Deloitte analysis

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