



Japan Buyout Monthly

January 2012

More Exits

We had 45 exits in 2011 (3rd highest after the 48 exits in 2006 and the 46 exits in 2008) and we saw 8 exits this month. January 2012 is probably the most active exit month in Japan's buyout history. To date, 624 fund-sponsored buyouts have been completed, of which 345 have been exited (including write-offs). There are 279 transactions still to be exited and 2/3 of them were entered into before 2008, creating a good pool of exit candidates.

On the other hand, the number of Japan-focused funds raised in a given year starts to increase quite steeply from 2003. This will increase the number of funds nearing their fund maturity in the coming years, putting pressure on the GPs to divest. Furthermore, there are a number of funds that are fund raising or will do so in the next 12 months, and they are keen to produce exit track records.

All these factors lead us to believe that **we will continue to see a high level of exit activities throughout 2012**. While the EBITDA multiples for M&A transactions will remain much higher than those of cheap listed stocks, in the current low valuation environment, some sales will be done at modest multiples. A GP could afford to do so if they have successfully increased the company's profitability and cash flow. This suggests that we will see the trend of the past 12 months continue, namely an **increase of secondary deals**. 1 out of 5 exits in 2011 were sales to another fund, while the ratio is still low compared other markets.

Buyout Deals

31st)

(Up to January

Advantage Partners has announced that it will acquire **Yasuragi** (NSE 8919), a housing renovation and sales firm, through a tender offer. The tender offer price is JPY 627 per share, a 82.80% premium over the last 3-month average trading price. The tender offer value is JPY 13 billion (USD 171 million). Yasuragi forecasts its annual sales at JPY 29.8 billion (USD 392 million) and its operating profits at JPY 1.29 billion (USD 17 million) for the period ending January 2012.

Post Investment Activities

Otsuka AgriTechno, an agrichemical maker and a portfolio company of Mizuho Capital Partners, has acquired Asahi Chemical MFG.

Exits

JAFCO has agreed to sell its 48.8% stake in **Radishbo-ya** (JASDAQ 3146), an organic vegetable delivery firm, to **NTT DOCOMO** (TSE 9437) through a tender offer. JAFCO originally invested in Radishbo-ya in 2006 and led the company to an IPO in 2008 but has been holding a significant minority stake to date.

SBI Capital and **ACA** have agreed to sell their entire stake in **VSN**, an engineer outsourcing company, to Swiss-based staffing company **Adecco** for JPY 9.1 billion (USD 120 million). SBI Capital originally invested in VSN in 2008. ACA joined the investment later in 2009. SBI and ACA co-hosted a take-private tender offer in 2010.

Next Capital has sold its entire stake in construction company **Sato Benec** to **Daisen Building**. Next Capital originally invested in

Sato Benec in 2006.

Wise Partners has agreed to sell its 80% stake in bath salt maker **Bathclin** to **Earth Chemical** (TSE 4985) for JPY 15 billion (USD 197 million). Wise originally invested in Bathclin in 2008.

Daiwa PI Partners has sold its entire holding stake in **Granvista Hotels & Resorts** to **Enterprise Turnaround Initiative Corporation of Japan**. Daiwa originally invested in Granvista in 2005.

J-Will Partners has sold **Kobe Seishin Oriental Hotel** to **Takagawa Group** for reportedly JPY 1.7 billion (USD 22.3 million). J-Will originally invested in the hotel in 2006.

Dogan Investments has reportedly sold its holding stake in shirt maker **HITOYOSHI** back to the company. Dogan originally invested in the company in 2009.

Phoenix Capital has agreed to sell a 10% stake in **Teac** (TSE 6803) to **Onkyo** (TSE 6628) as a part of new cross holding deal between Teac and Onkyo. Phoenix will still hold a majority stake in Teac after the sale. Phoenix originally invested in Teac in 2005.

Fund News

Next Capital has held a first close on its second turnaround fund with JPY 4 billion (USD 53 million) in capital commitments.

Financial News

Last year's flooding in Thailand is likely to drag down major listed companies operating profits by JPY 700 billion (USD 9.2 billion).

Japan posted its first trade deficit in 31 years in 2011.

Asian PE Headlines

TPG invests RMB750M in China's leading sports brand **Li Ning**. **Unitas** acquires a majority stake in restaurant chain **Babela** from

Carlyle.

Legend Capital invests in infant formula milk powder producer **Nouriz**.

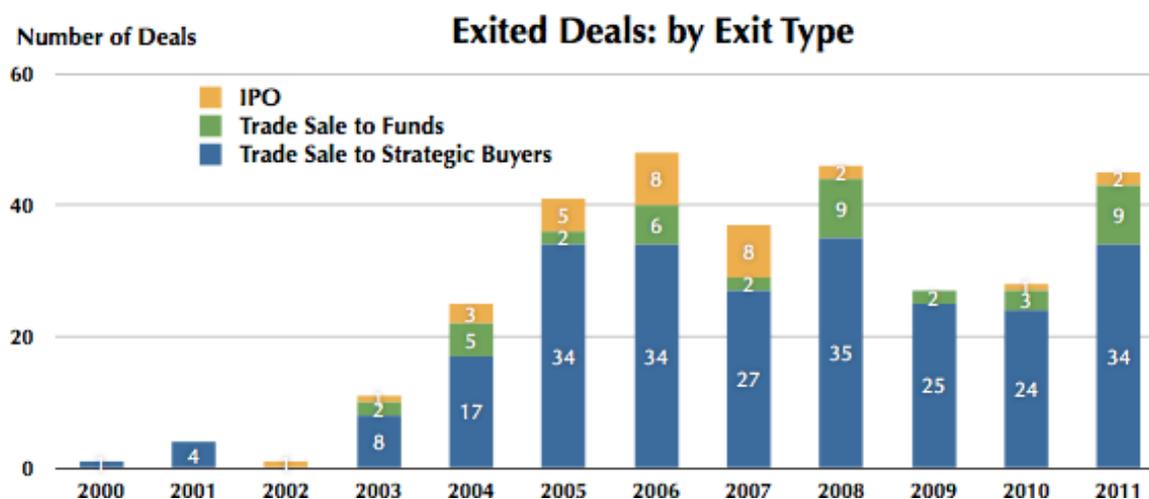
TPG to sell back convertible bonds to the issuer **Comtec Solar**.

Baring PE Asia acquires 15% of Magic Holdings.

Olympus Capital invests 5 bn Rupees in Indian healthcare firm **DM Healthcare**.

Japan Buyout Statistics

The year 2011 saw very active exit activities. Trade sale to strategic buyers remained the major route for the exits. Trade sale to other funds were also active.



Market Indices

		Monthly change	
TOPIX	755.27	26.66	3.6%
Nikkei JASDAQ	1228.44	48.39	4.1%

This monthly letter is composed by Brightrust PE Japan Co., Ltd. Brightrust is a

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