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## Japan Buyout Monthly

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**March 2012**

### **Bottoming Out?**

The Nikkei stock index rose in the 10 consecutive weeks up to mid-March for the first time since 1987, which was in the midst of Japan's stock bubble period. The TSE Class II index rose 30 consecutive days in February for the first time since the index was created in 1961. In fact, the 20% stock rally quietly began as early as last December and gained momentum in February, when the BOJ surprised the market with an unexpected easing. This caused the JPY currency to depreciate from JPY 76/\$ to JPY 84/\$. In the past month, both Nikkei and JPY went through a correction phase by losing several percentage points. A 10-20% price movement in stocks and FX are not at all unusual. In fact, as far as small-mid cap stocks go, there have been 4 peaks and 3 troughs in the tight 20% price range since the Lehman Crisis, including a rally during the 4 months prior to Tohoku earthquake in last March.

What interests me more this time is the rally's steady price action. While I do not have empirical evidence, if I may make a comment based on my 15 years of professional trading experience in various financial markets, the recent price action is something that makes me wonder if the market has come to or is coming to a medium-term turning point. The macro factors, such as the change in trade balance and the BOJ's adoption of inflation target, could have significance for the direction of JPY. On a micro level, a number of corporations are forecasting improved earnings in the coming year - not surprising given the business disruption due to Tohoku earthquake and Thai flood in 2011.

## Buyout Deals

(Up to March 31st)

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**Japan Industrial Solutions** has agreed to invest JPY 15 billion (USD 183 million) in preferred shares of **SUMCO** (TSE 3436), the world's second largest maker of silicon semiconductor wafers, through a private placement of new shares. Sumco's two other existing shareholders Sumitomo Metal and Mitsubishi Materials will also invest 15 billion respectively under the company's new restructuring plan. Sumco reported a JPY 84 billion (USD 1.02 billion) net loss for the period ending Jan 2012.

**Advantage Partners** has acquired a 100% stake in **United Cinema**, an operator of multiplex movie theaters with 204 screens nationwide, from **Sumitomo Corporation** (TSE 8053). United Cinema reported annual sales of JPY 14.5 billion (USD 177 million) and a net loss of JPY 1.6 billion (USD 19.5 million) for the period ending March 2011.

**Development Bank of Japan** has agreed to acquire **Sony Chemical and Information Device**, a wholly owned subsidiary of **Sony Corporation** (TSE 6758) and a maker of optical films and other advanced materials, for reportedly JPY 30-40 billion (USD 365-488 million). Sony Chemical's annual sales were JPY 110 billion (USD 1.34 billion) for the year ending March 2011.

**CVC Asia** has agreed to acquire the Japanese engineering staffing business of Promontoria Investment, Japan's largest engineering staffing company formerly known as **Goodwill Group**, from **Cerberus Capital**. CVC will rename the company to **Technopro Holdings**.

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## Post Investment Activities

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**Seibu HD**, a railway and hotel conglomerate and a portfolio company of **Cerberus Capital**, is reportedly looking to file for an IPO this autumn. Cerberus originally invested in the company in 2006.

**Tsubaki-Nakashima**, a maker of precision ball bearings and a portfolio company of **Carlyle**, is reportedly looking to file for an IPO in June. Carlyle originally invested in the company in 2011.

**Primo Japan**, an engagement ring retailer and a portfolio company of **Baring PE Asia**, is planning a series of proposing events at the opening pitch ceremonies of the Japan Pacific League baseball games. Under the plan, a proposer is to shout a proposal lines in front of tens of thousands of baseball audiences and take a vow to get a strike in return for an OK from his counterpart.

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## Exits

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**Carlyle** has filed for an IPO for LCD glass maker **AvanStrate**. **Carlyle** originally

invested in the company in 2008 and filed for an IPO in March last year but had postponed its listing due to market conditions after the Mar11 earthquake. (On April 17th it was reported that AvanStrate decided not to go ahead with the stock offering citing worsening conditions in the LCD panel and glass substrate markets.)

**Japan Industrial Partners** has agreed to sell its 100% stake in **Alphana Technology**, a maker of HDD motors, to **Samsung Electro-Mechanics** for JPY 11 billion (USD 134 million). Alphana reported annual sales of JPY 23.2 billion (USD 283 million) and a net loss of JPY 0.1 billion (USD 1.2 million) for the period ending March 2011. Japan Industrial Partners originally invested in Alphana in 2008.

**Basic Capital** has agreed to sell its 62.4% stake in **Senior Life Create**, an operator of food delivery franchise chains for seniors, to **Family Mart** (TSE 8028), one of the major convenience store chains. Senior Life Create reported annual sales of JPY 5.4 billion (USD 66 million) and net profits of JPY 0.46 billion (USD 5.6 million) for the period ending March 2011. Basic Capital originally invested in the company in 2006.

**Advantage Partners, Unison Capital, and MKS Partners** have sold their entire 40% stake in **Kracie Holdings** to hair-coloring maker **Hoyu**. The three funds originally invested in Kracie in 2006 and sold 60% stake to Hoyu in 2009.

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## Fund News

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**Milestone Turnaround Management** has held a first close for its second turnaround fund with JPY 4 billion (USD 49 million) in initial commitment.

## Financial News

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**The Japan REIT market will see its first new listing in five years** next month and will see follow-through movements including GIC-led Global Logistics Properties, Daiwa House, and Tokyu Land.

## Asian PE Headlines

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**Prax Partners** invests in Chinese early childhood education company Babycare Group.

**Jiuding Capital** invests RMB170M in Zhejiang Huaye Mine Construction.

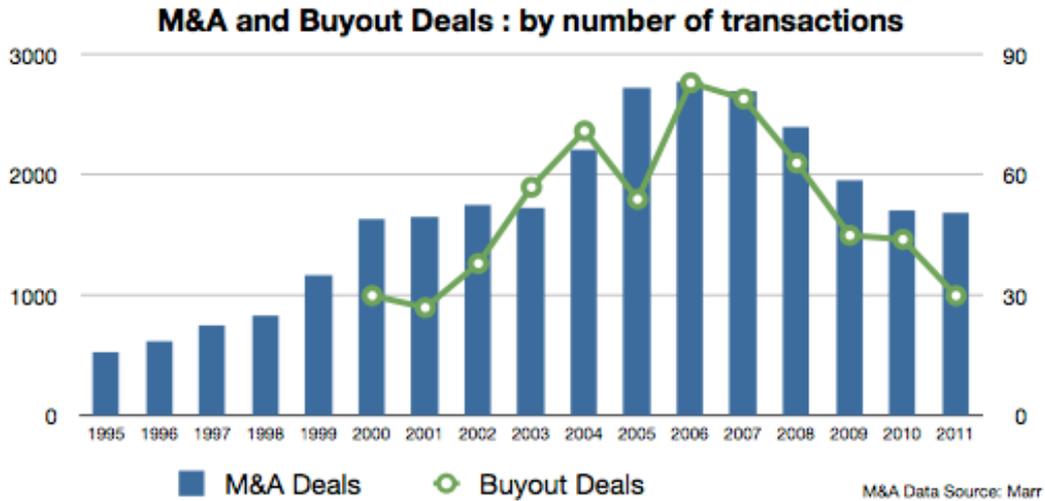
**China-Belgium Direct Equity Investment Fund** injected RMB50M in clean-tech company Weihai Goden Sun Company for 22.79%.

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## Japan Buyout Statistics

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The Japan buyout market evolved in parallel with the M&A market for the last decade. M&A penetration of Japan buyout deals dropped to 1.78% from previous year's 2.58%.



## Market Indices

		Monthly change	
<b>TOPIX</b>	854.35	+18.39	+2.2%
<b>Nikkei JASDAQ</b>	1370.66	+57.21	+4.4%

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