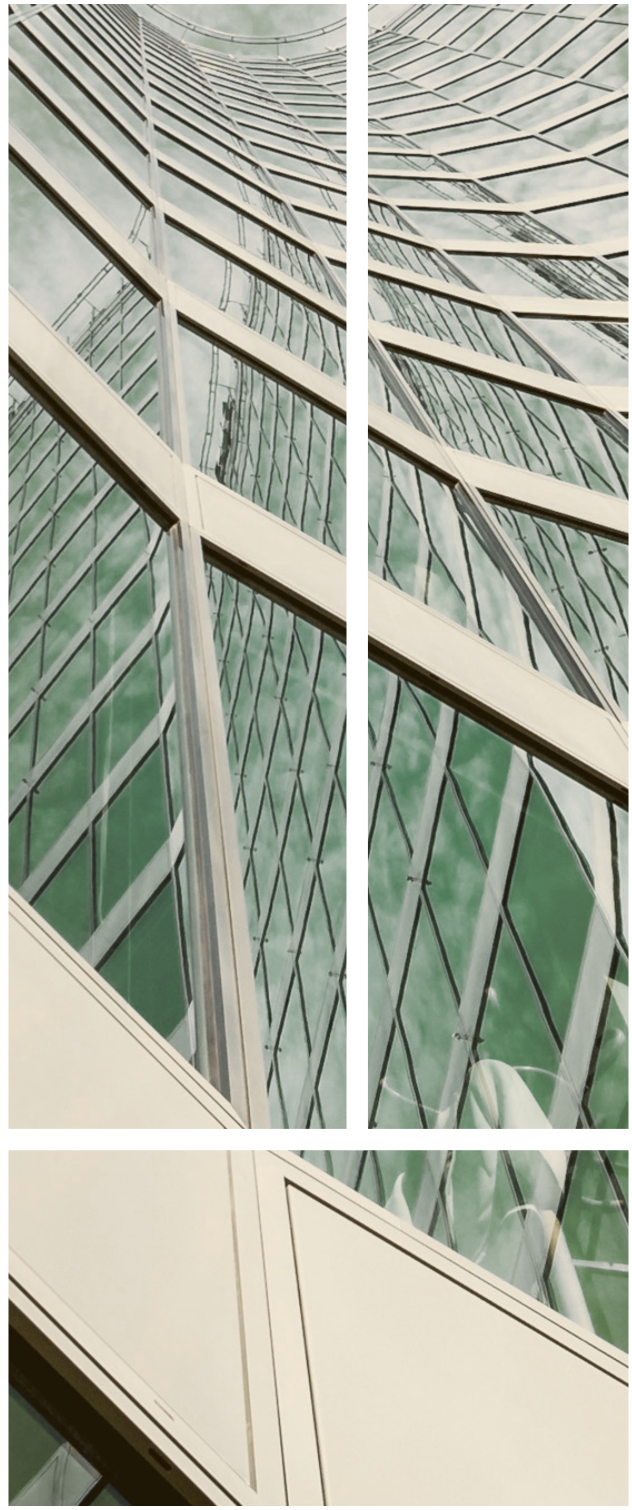
M&A Trends in Japan: Q&A with Director Kenji Uemura

Lincoln International recently welcomed Kenji Uemura, a Tokyo-based Director, to the firm. With unique experience heading the India-Japan mergers and acquisitions (M&A) business in Mumbai and his extensive work in cross-border dealmaking, Kenji is excited to join the Lincoln team.

As Japanese strategics look to expand their geographic horizons by pursuing M&A, Kenji shared his insights on cross-border dealmaking and considerations for the year ahead.



How did your background and career path lead you to your current role at Lincoln?

Kenji: I spent my childhood in New York and London, and attended the American School in Tokyo before completing my undergraduate degree at Macalester College in the U.S. These experiences provided me the opportunity to objectively observe Japan with an outside lens, and later inspired me to act as a bridge to accelerate the growth of Japanese companies in the global scene.

Early in my career I held a variety of positions, including equity analyst and member of the strategy team at a telecom start-up where I worked on fundraisings, initial public offerings and M&A. After working on a few acquisitions as a principal, I was ready for a change and moved into the financial advisory business. With a surge in outbound M&A by Japanese companies, I was able to experience a wide range of cross-border transactions, during which time I also spent three years in Mumbai, to lead the development of India-Japan advisory business and gained specialization in the India-Japan business corridor.

While I focused on M&A execution at Barclays, over time, I became highly motivated in serving clients throughout the deal process from origination to execution in a growth-stage organization with an entrepreneurial spirit. The role at Lincoln provided just that, and I was drawn to the opportunity to contribute to the growth of the Japanese team.

Having graduated from a liberal arts college in the Midwest, Lincoln's Chicago headquarters along with their expertise in the industrials sector helped form my instant connection to the culture at Lincoln. I'm thrilled to be a part of this global team and hope to accelerate the growth of Japanese companies in global markets with a particular focus on India.

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What trends are you seeing in the Japanese M&A market?

Kenji: I finally see change starting to happen in the Japanese corporate environment—one of the catalysts being the rise in shareholder activism. Historically, only a handful of activist funds were active in Japan targeting small to mid-size companies. More recently, though, the number of activists has grown, including large foreign funds, and they have now expanded their target universe to large cap companies with a much more sophisticated approach. This external pressure will inevitably shift Japanese management's priorities to enhance shareholder value. Some also see this change acting as a potential catalyst for activating M&A to reshape current industry dynamics.

In addition to the rise in shareholder activism, divestitures of non-core businesses saw increased investment from both global and domestic private equity (PE) firms. During the pandemic, outbound acquisitions by Japanese companies stalled due to travel restrictions, so they focused more on streamlining their operations and identified opportunities to divest. PE firms in Japan seized this opportunity to add legacy companies to their portfolios.

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What is driving growth and opportunity for Japanese M&A in the year ahead?

Kenji: While outbound acquisitions by Japanese companies saw a decrease in during the pandemic, companies accumulated substantial levels of cash both from slow acquisition activities as well as proceeds from divestments. As the global economy comes back from the pandemic, ample dry power and pursuit for growth in overseas market should drive Japanese companies to resume outbound acquisitions. At the same time, they will continue efforts to divest non-core assets.

How do you perceive the opportunities for the India-Japan corridor in the coming years?

Kenji: India is a market that Japanese companies cannot ignore for its rapidly-growing consumer market, rich information technology talents, innovative startups and access to Middle East and African markets. Relative to Japanese companies' involvement in China, their penetration in the Indian market is still at its nascent stage so there is substantial investment potential in the coming years. While India is still generally viewed as a medium to high-risk market, hence the preference towards minority acquisitions or joint ventures, as local regulations, businesses and corporate governance become more robust, the general risk sentiment will eventually wane. Last year, in spite of the pandemic, we saw a few billion-dollar class deals in India, which I feel is reflective of the change in sentiment – with the right business fit and price, Japanese companies are becoming less risk averse to do sizable acquisition deals in India.

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With nearly 15 years of M&A experience, Kenji has been engaged in a wide range of transactions, including buy-side and sell-side M&A, carve-out divestitures, leveraged buyouts and restructurings. Kenji has significant experience in originating and executing India-Japan deals from his three-year secondment in Mumbai where he headed the India-Japan M&A advisory business for Deloitte.

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