

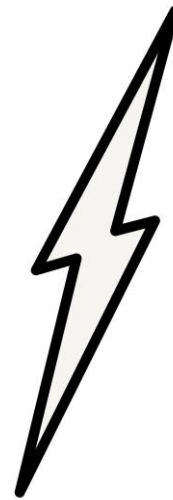
**BainCapital**  
PRIVATE EQUITY

**KKR's ¥611B (\$4.1B)  
Acquisition of**



**FUJISOFT**

*Private  
Equity  
Society*



# Deal Overview

## Acquirer



Financial Advisor Unknown

**Hiro Hirano, KKR** - "We are fully committed and look forward to supporting Fuji Soft's plan to enhance its corporate value, under a new and simpler ownership by KKR following the privatization, by leveraging our global network and expertise..."

¥611B (\$4.1B) Cash Deal



¥9,850 per share,  
36.9% Premium over  
pre-announcement  
share price

Financed mainly through  
KKR Asian Fund IV

## Target

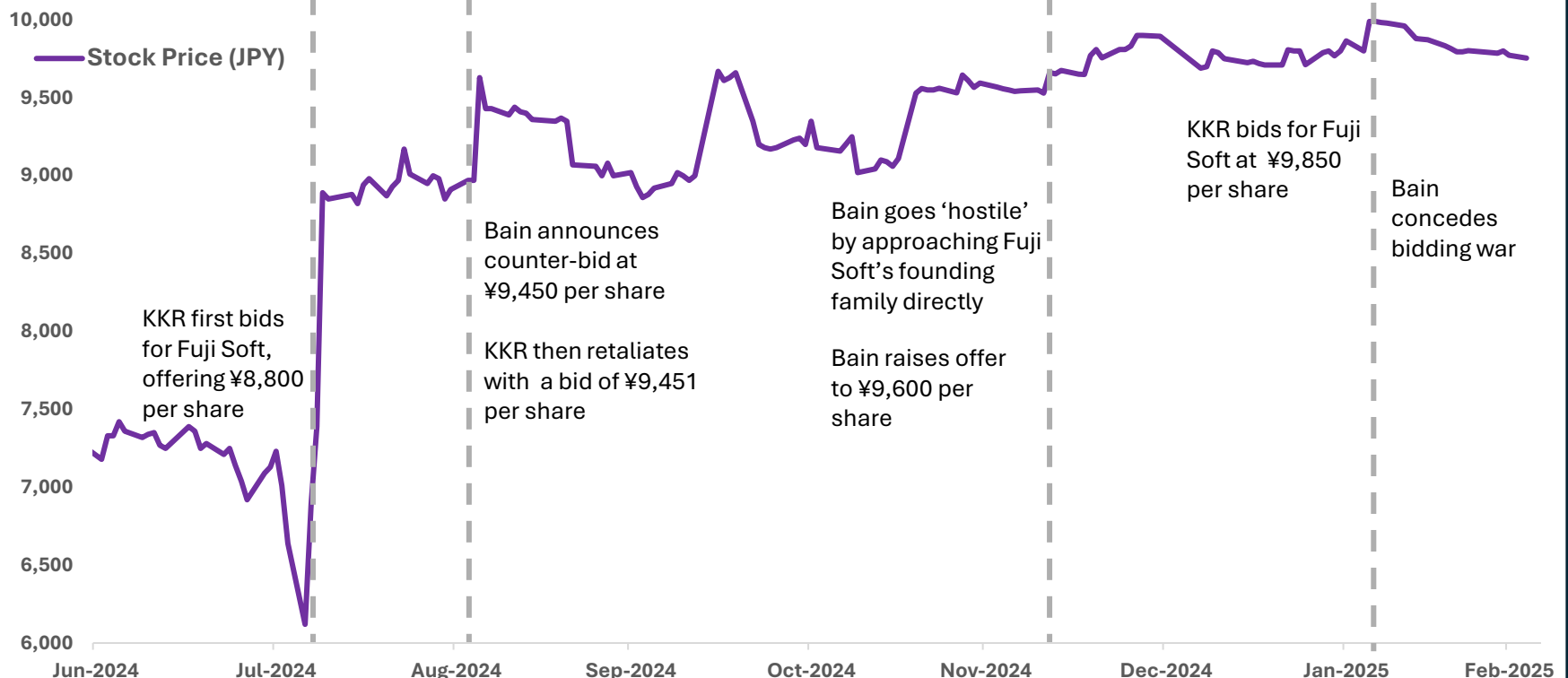


Financial Advisor

**NOMURA**

- KKR has successfully completed its tender offer, acquiring approximately 58% of Fuji Soft.
- To attain full ownership, KKR plans to initiate a **squeeze-out** process.

## Timeline



Sources: S&P Global, LSEG, FT, Reuters

# Bidding War Timeline

**August 2024** – Fuji Soft’s stock price declines sharply following unimpressive earnings and shareholder concerns over an unfocused growth plan. KKR bids, offering **¥8,800 per share**.



KKR



**October 2024** – **Bain Capital** enters the fray with a proposed counter-offer of **¥9,450** per share. KKR responds, offering **¥9,451** per share.



**November 2024** – KRR succeeds at completing the first stage of its tender offer by acquiring **over 35% of Fuji Soft from activist investors**.



FARALLON  
ESTABLISHED 1986

**December 2024** – Bain Capital unexpectedly raises its offer to **¥9,600 per share** and goes hostile by approaching founding family and management directly. KKR urges Fuji Soft directors to take legal action.

NOMURA



**January 2025** – Nomura’s attempt to organise a unified privatisation strategy fails.



**February 2025** – Bain Capital **withdraws takeover attempt**, failing to secure enough support. KKR finalises **¥9,850 per share** second-stage tender offer, claiming a controlling stake in Fuji Soft. Squeeze – out and privatisation set to commence in Q2 2025.

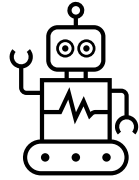
Historically, Japan's M&A and private equity activity has been subdued due to **defensive corporate governance** practices. The recent public bidding war is rare, but may lead to **increased foreign interest** and a re-evaluation of traditional corporate practices.



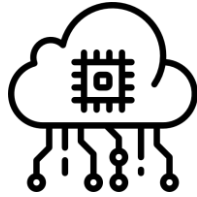
# Fuji Soft Overview

Fuji Soft is a Japanese IT services company. They offer a wide range of solutions, including system/control software, cloud integration, security, and robot technology. Their main clients include corporations and government agencies across industries like finance, healthcare, manufacturing, and telecommunications.

## Fuji Soft Core Functions



**Robot Technologies**



**Cloud Integration**



**Security Solutions**



**Broadband Solutions**

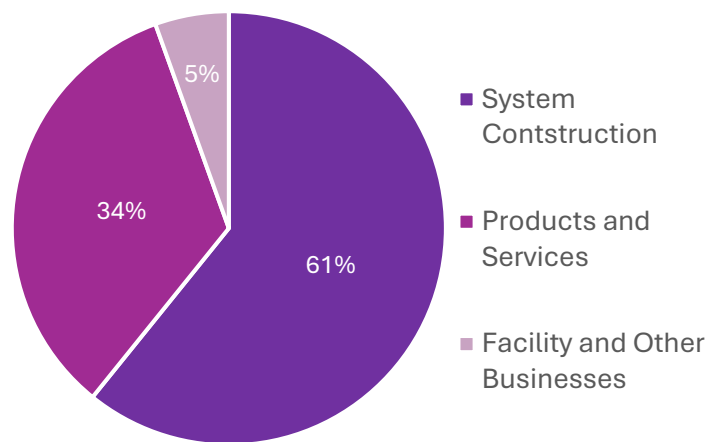


**Mobile Solutions**

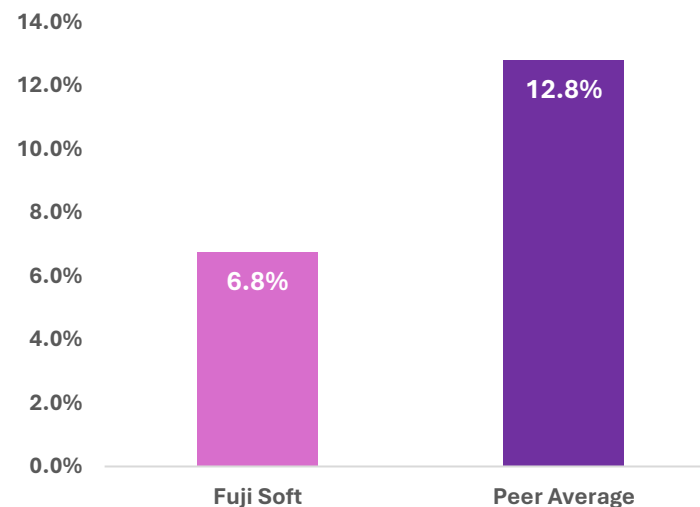


**Digital Living Solutions**

## Revenue by Segment (2023)



## Operating Margin Comparison (3Y average)



## Insights

Fuji Soft's Products & Services division has low margins and growth. Transitioning to System Construction can create value.

Fuji Soft has very poor operating margins relative to peers. It reflects slow pricing increases and low-value, standardised offerings.

Fuji Soft boasts deep technical expertise within System Integration services. However, a large proportion of the workforce is aging and less productive.

# Deal Rationale (Operational)

## Shift to High Margin Segments

### KKR's IT Expertise and Experience

KKR



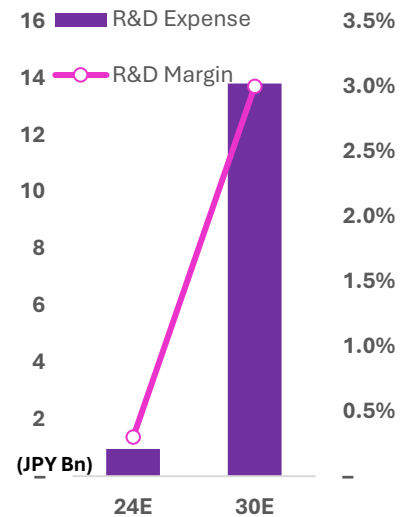
KnowBe4

EPICOR

onestream

KKR is a highly experienced leader within the technology buyout space. KKR can improve Fuji Soft's profitability by focusing on cost optimisation and high-value services.

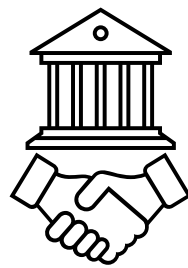
### Focused transition to System Construction



- Transition from products/services to a streamlined systems construction focus.
- Increased R&D enables continued System Construction growth.
- Addresses previous shareholder criticism of unfocused growth plans.

## Evolution through Buy & Build

- Fuji Soft offers mission-critical system/control software, cloud integration (**FSSaaBIS**), and security solutions (**FSGate**).
- These services often represent a low proportion of overheads for clients.
- Upgrading embedded systems with IoT and data analytics improves automation capabilities.
- Adding SaaS and collaboration features can convert one-time sales into **recurring revenue** and more profitable business lines.



A buy-and-build strategy enables accelerated development of high-margin, recurring revenue products.



Advanced Analytics



AI-Driven Cybersecurity



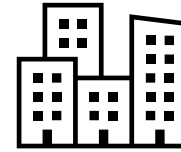
Workplace Management



Further Sector Specialisation

# Deal Rationale (Financing)

## Real Estate Portfolio

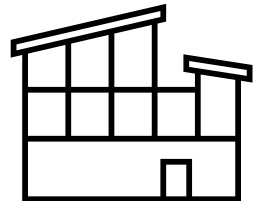


Fuji Soft owns an extensive commercial real estate portfolio with a book value of over **¥100 Bn**. Buyout firms have valued the portfolio at over **¥150 Bn (\$1 Bn)**. This greatly softens the cost of acquiring Fuji Soft. Additionally, the portfolio helps enable aggressive leveraging by providing additional financing capacity.

## Main Real Estate Assets (Book Values)



Nagoya Office  
¥32.2 Bn



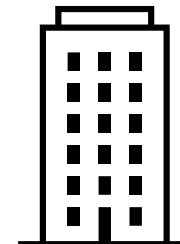
Akihabara Office  
¥29.7 Bn



Shiodome Project  
¥24.5 Bn



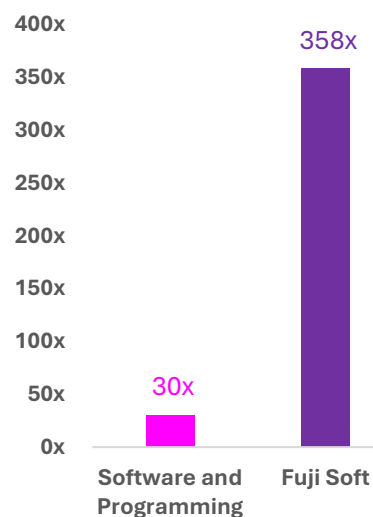
Head Office  
¥9.9 Bn



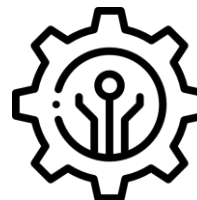
Fukuoka Project  
¥5.0 Bn

## Underutilised Debt Capacity

### Interest Coverage Ratio



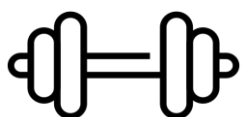
Fuji Soft's Interest Coverage Ratio far exceeds the industry average, and Debt/EBITDA is less than **1.5x**. This indicates **highly conservative financing policies**. KKR can execute a highly leveraged buyout and utilise the underutilised debt capacity to amplify returns.



### Mission – Critical Services

- Fuji Soft's FSGate (building control) and FSSaaBIS (cloud integration) are mission-critical systems embedded in client operations.
- They form only a **small part of overall IT budgets**, resulting in high customer dependency.
- This consistent cash flow base supports **aggressive leveraging** in an LBO, as is modelled.

# SWOT Analysis



## Strengths

### Technical Expertise and Skilled Workers

Fuji Soft employs a pool of skilled engineers with deep expertise across systems integration.

### Mission – Critical Services

The System Integration business is mission critical and represents a low proportion of overheads for clients, making it a resilient revenue stream.

### Real Estate Asset Portfolio

Fuji Soft owns an extensive commercial real estate portfolio valued at over ¥150 Bn.

## Weaknesses



### Low Operating Margins

Fuji Soft has significantly lower operating and profitability margins relative to most competitors.

### Legacy Systems and Complexity

It has been estimated that legacy offerings by Fuji Soft will cease to have demand by 2030.

### Domestic Market Dependency

Approximately 90% of Fuji Soft's revenue is estimated to be generated within Japan.

## SWOT



## Opportunities

### Pricing Increases and Margin Expansion

Fuji Soft has been slow to pass on pricing increases despite having bargaining power.

### Transition to High-Value Product Offerings

Fuji Soft currently operates in a low value segment, often subcontracting. M&A can be a lever to transition to higher value solutions.

### Market Diversification and Expansion

While not immediate, Fuji Soft can look to establish joint ventures internationally to improve revenue resilience and client base.

## Threats



### Intensifying Competitive Pressure

A lack of differentiation may lead to a loss of market share despite mission-critical systems.

### Risks of Outsourcing

Fuji Soft may eventually become vulnerable to lower-cost competition if unable to innovate.

### Rising Compliance Costs

With an increased emphasis on data security, compliance costs are expected to rise given Fuji Soft's access to sensitive client information.



# LBO – Transaction Details

## Key Transaction Details

### Equity Offer Value

Equity Offer Value	620,663
Net Debt	12,274
Implied EV Offer	632,937
Shares Outstanding (000s)	63,011
JPY¥/Share Offer	¥9,850
Implied Entry EV/EBITDA	22.7x

### Financing Breakdown

<b>26.4%</b> Equity Invested	<b>70.2%</b> Total Debt	<b>3.4%</b> Target Cash
------------------------------------	----------------------------	-------------------------------

### Sources of Cash

	Multiple	Amount
Cash (Target)	1.20x	23,455
Revolving Credit Line	2.00x	55,678
Term Loan A (Senior Debt)	6.75x	187,914
Term Loan B (Senior Debt)	4.75x	132,236
Subordinated Debt (PIK)	3.75x	104,397
Management Rollover	0.56x	15,517
Sponsor Equity	5.57x	165,097
<b>Total Sources</b>	<b>24.58x</b>	<b>684,294</b>

2.5%

### Uses of Cash

Equity Offer Value	620,663
Debt Refinancing	45,729
Fees	17,901
<b>Total Uses</b>	<b>684,294</b>

## Debt Financing Assumptions

Type	Amount	Issuance Fee %	Issuance Fee	Standby Fee	Floating Coupon	Fixed Coupon
Revolving Credit Line	55,678	1.0%	557	0.10%	B+50bps	N/A
Term Loan A (Senior Debt)	187,914	1.0%	1,879	N/A	B+100bps	N/A
Term Loan B (Senior Debt)	132,236	1.0%	1,322	N/A	B+135bps	N/A
Subordinated Debt (PIK)	104,397	1.0%	1,044	N/A	N/A	8.5%

### Description

- A Revolver is a flexible credit facility that allows the borrower to draw, repay, and re-draw funds as needed. This is a key element of the LBO. Due to higher R&D and aggressive leveraging, the Revolver will need to be drawn to sustain the minimum cash position.
- Term Loans A and B have a fixed mandatory repayment schedule. Any residual cash flows are used to pay down the term loans, reducing interest expenses.

### Interest Rates on Debt

- The interest rate on each tranche of secured debt is represented as a spread over the Tokyo Interbank Offered Rate (**TIBOR**).
- The PIK unsecured debt is modelled to have a fixed coupon of **8.5% annually**.

### Subordinated Debt (PIK)

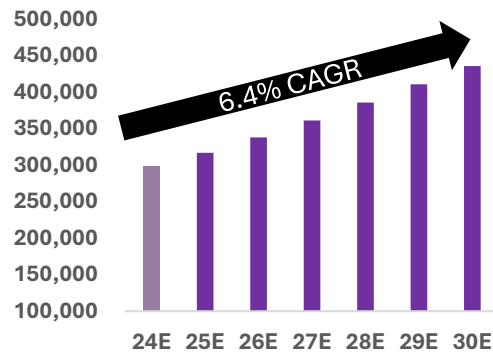
- **Payment – in – kind (PIK) Debt** refers to a type of loan where the borrower can make interest payments in forms other than cash, such as by issuing bonds.
- **The PIK Rate** is modelled at 60%, meaning only 40% of the interest is a cash expense.
- Reduces cash burden but leads to higher interest expenses in the long term.



# LBO – Assumptions and Outputs

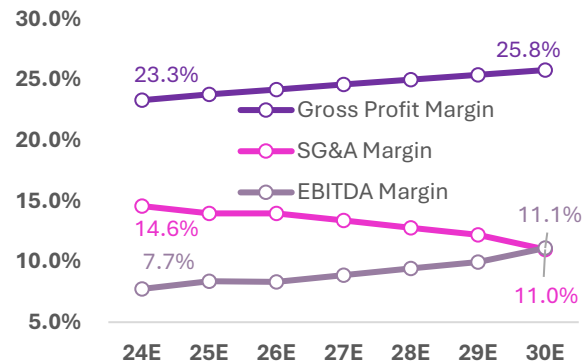
## Key LBO Assumptions

### Revenue Growth



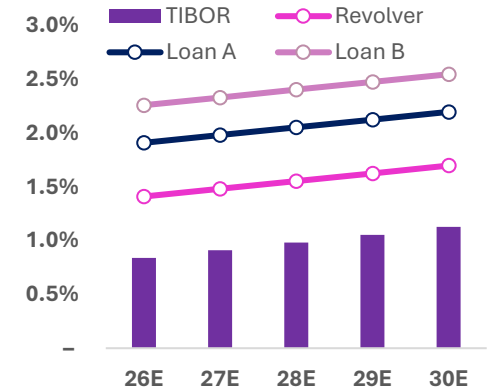
Shifts to faster growing business segments like **Operation** and **Control Software** enables steady top-line growth.

### Margin Improvements



Focus on a leaner operational structure promotes margin improvements, with an emphasis on **higher pricing** and expanded product offerings to existing client base.

### Financing Terms



Despite Mandatory Debt Paydowns, anticipated increases in the TIBOR mean that interest payments remain relatively flat for the forecast period.

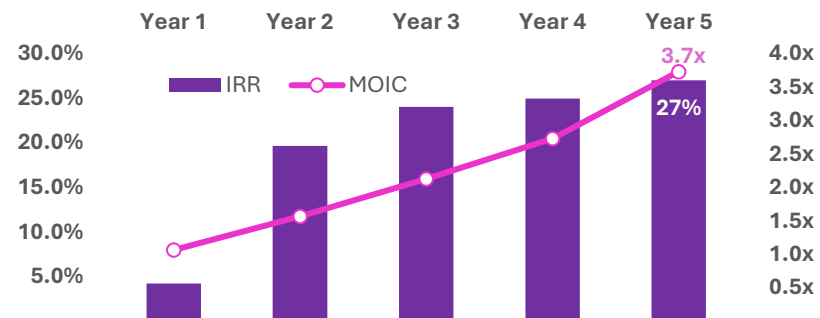
## Key LBO Outputs

### Sensitivity Analysis

#### IRR and MOIC (Exit Multiple)

Exit Multiple	IRR	MOIC
23.7x	28.7%	4.0x
23.2x	27.9%	3.9x
<b>22.7x</b>	<b>27.0%</b>	<b>3.7x</b>
22.2x	26.1%	3.6x
21.7x	25.2%	3.5x

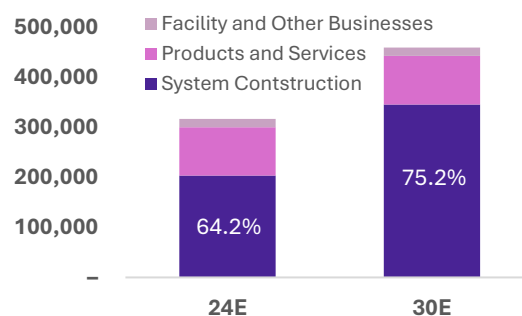
### Equity Returns by Investment Horizon



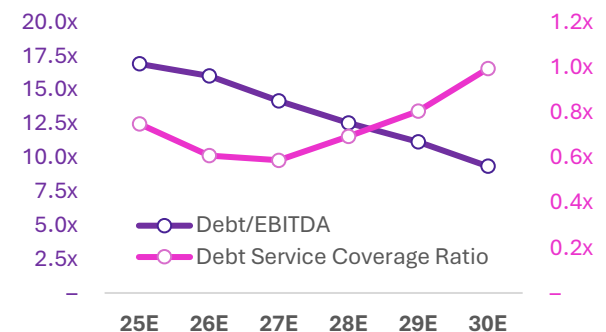
#### IRR (Term Loan EBITDA Multiples)

Term Loan B	Term Loan A		
	6.25x	6.75x	7.25x
3.75x	23.8%	24.8%	25.9%
4.25x	24.8%	25.9%	27.0%
<b>4.75x</b>	25.9%	<b>27.0%</b>	28.3%
5.25x	27.0%	28.3%	29.8%
5.75x	28.3%	29.8%	31.5%

### Change in Revenue by Segment

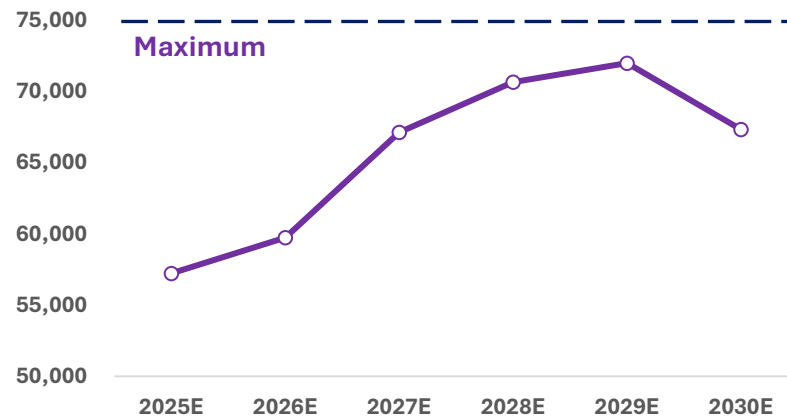


### Credit Metrics

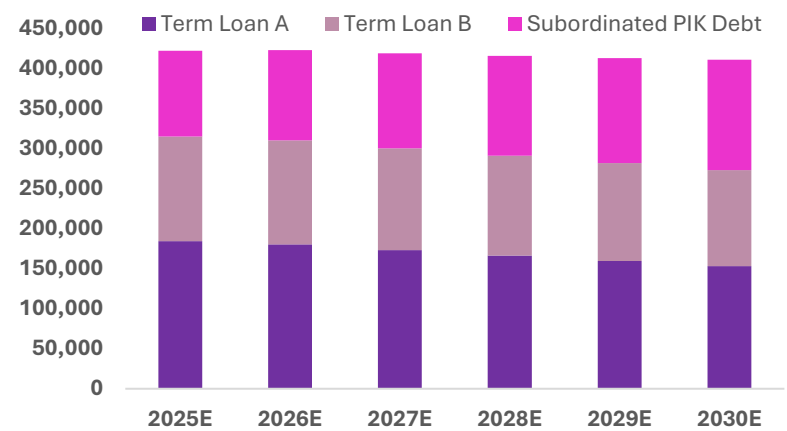


# LBO – Model

## Revolving Credit Line (Drawn)



## Closing Long-Term Debt Balances



## Income Statement

All figures in JPY millions unless stated

	2022A	2023A	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue	278,782	298,855	317,199	338,381	361,654	386,164	411,258	436,223	460,325
COGS	(217,216)	(231,619)	(243,258)	(257,846)	(274,134)	(291,168)	(308,443)	(325,422)	(341,561)
<b>Gross Profit</b>	<b>61,567</b>	<b>67,236</b>	<b>73,942</b>	<b>80,535</b>	<b>87,520</b>	<b>94,996</b>	<b>102,814</b>	<b>110,801</b>	<b>118,764</b>
SG&A	(40,113)	(42,762)	(46,252)	(47,321)	(50,575)	(51,698)	(52,603)	(53,192)	(50,636)
R&D Expense	(577)	(918)	(954)	(2,540)	(4,341)	(6,373)	(8,637)	(11,124)	(13,810)
Other Operating Expenses	(1,841)	(2,151)	(2,177)	(2,323)	(2,482)	(2,651)	(2,823)	(2,994)	(3,160)
<b>EBITDA</b>	<b>19,036</b>	<b>21,405</b>	<b>24,559</b>	<b>28,351</b>	<b>30,121</b>	<b>34,275</b>	<b>38,752</b>	<b>43,490</b>	<b>51,159</b>
<i>EBITDA Margin</i>	6.8%	7.2%	7.7%	8.4%	8.3%	8.9%	9.4%	10.0%	11.1%
D&A	(669)	(671)	(4,876)	(5,745)	(6,720)	(7,795)	(8,962)	(10,206)	(11,508)
<b>EBIT</b>	<b>18,367</b>	<b>20,734</b>	<b>19,682</b>	<b>22,607</b>	<b>23,401</b>	<b>26,479</b>	<b>29,790</b>	<b>33,284</b>	<b>39,651</b>
Interest Income & Investment Income	318	482	458	412	398	400	403	407	411
Interest Expense	(49)	(45)	(157)	(8,107)	(16,615)	(17,286)	(17,939)	(18,573)	(19,167)
Other Non-Operating Income / (Expense)	767	(1,375)	-	-	-	-	-	-	-
<b>EBT (Normalised)</b>	<b>19,403</b>	<b>19,796</b>	<b>19,983</b>	<b>14,912</b>	<b>7,184</b>	<b>9,593</b>	<b>12,255</b>	<b>15,119</b>	<b>20,894</b>
Total Tax	(4,896)	(6,747)	(5,595)	(4,175)	(2,011)	(2,686)	(3,431)	(4,233)	(5,850)
<b>Net Income</b>	<b>14,507</b>	<b>13,049</b>	<b>14,388</b>	<b>10,736</b>	<b>5,172</b>	<b>6,907</b>	<b>8,823</b>	<b>10,886</b>	<b>15,044</b>

Tax Rate

28.0%

Margin improvement through shift to Control and Operations Software

Highly leveraged buyout leads to heightened interest expenses

Buy-and-build to provide additional services to existing client-base

Increased R&D expenditure to drive high-value offerings and margin expansion

Sources: Fuji Soft Investor Relations, S&P Global, LSEG

# LBO – Model

## Cash Flow Statement

All figures in JPY millions unless stated

	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Cash From Operations</b>							
Net Income	14,388	10,736	5,172	6,907	8,823	10,886	15,044
PIK Interest	-	2,696	5,605	5,898	6,207	6,531	6,873
Cash from NWC	(1,263)	2,158	(3,561)	(2,530)	(1,722)	(2,876)	(2,435)
Depreciation & Amortisation	4,876	5,745	6,720	7,795	8,962	10,206	11,508
<b>Net Cash From Operations</b>	<b>18,001</b>	<b>21,336</b>	<b>13,936</b>	<b>18,070</b>	<b>22,270</b>	<b>24,747</b>	<b>30,990</b>
<b>Cash From Investing</b>							
Capital Expenditures	(10,550)	(11,184)	(11,877)	(12,601)	(13,333)	(14,051)	(14,730)
Purchases of Intangibles	(3,121)	(3,113)	(3,096)	(3,058)	(2,994)	(2,896)	(2,762)
<b>Net Cash from Investing</b>	<b>(13,671)</b>	<b>(14,297)</b>	<b>(14,973)</b>	<b>(15,659)</b>	<b>(16,327)</b>	<b>(16,947)</b>	<b>(17,492)</b>
<b>Cash from Financing</b>							
Existing Debt Issuance / (Repayment)	(14,299)	-	-	-	-	-	-
Revolving Credit Line Issuance / (Repayment)	-	1,561	2,509	7,400	3,528	1,343	(4,671)
Term Loan A Issuance / (Repayment)	-	(3,758)	(3,683)	(7,219)	(6,930)	(6,653)	(6,387)
Term Loan B Issuance / (Repayment)	-	(1,322)	(1,309)	(2,592)	(2,540)	(2,489)	(2,440)
PIK Debt Issuance / (Repayment)	-	-	-	-	-	-	-
Equity Issuance / (Repayment)	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-
<b>Net Cash From Financing</b>	<b>(14,299)</b>	<b>(3,520)</b>	<b>(2,483)</b>	<b>(2,411)</b>	<b>(5,943)</b>	<b>(7,800)</b>	<b>(13,498)</b>
<b>Cash Balance</b>							
Beginning Cash Balance	43,424	33,455	13,520	10,000	10,000	10,000	10,000
Change in Cash	(9,969)	(19,936)	(3,520)	-	-	-	-
<b>Ending Cash Balance</b>	<b>33,455</b>	<b>13,520</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>

## Equity Returns Schedule

(DD-MM-YY)	30/06/25	31/12/25	31/12/26	31/12/27	31/12/28	31/12/29	31/12/30		
<b>Enterprise Value</b>									
EBITDA		28,351	30,121	34,275	38,752	43,490	51,159		
Exit Multiple		22.7x	22.7x	22.7x	22.7x	22.7x	22.7x		
<b>Enterprise Value</b>		<b>644,459</b>	<b>684,682</b>	<b>779,101</b>	<b>880,865</b>	<b>988,578</b>	<b>1,162,893</b>		
<b>Total Net Debt</b>		<b>492,921</b>	<b>492,523</b>	<b>496,011</b>	<b>496,275</b>	<b>495,006</b>	<b>488,382</b>		
<b>Equity Value</b>									
Enterprise Value		644,459	684,682	779,101	880,865	988,578	1,162,893		
Net Debt		(492,921)	(492,523)	(496,011)	(496,275)	(495,006)	(488,382)		
<b>Equity Value</b>		<b>151,537</b>	<b>192,159</b>	<b>283,090</b>	<b>384,590</b>	<b>493,572</b>	<b>674,511</b>		
Dividends		-	-	-	-	-	-		
<b>Equity Investor</b>	<b>IRR</b>	<b>MOIC</b>	<b>Close</b>	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
5-Year-Horizon	27.0%	3.7x	(180,614)	-	-	-	-	-	674,511
4-Year-Horizon	25.0%	2.7x	(180,614)	-	-	-	-	493,572	
3-Year-Horizon	24.1%	2.1x	(180,614)	-	-	-	384,590		
2-Year-Horizon	19.7%	1.6x	(180,614)	-	-	283,090			
1-Year-Horizon	4.2%	1.1x	(180,614)	-	192,159				
0-Year-Horizon	(29.4%)	0.8x	(180,614)	151,537					

Sources: S&P Global, LSEG

# LBO – Model

## Debt Schedule Summary

All figures in JPY millions unless stated

	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Principal Issuance / (Repayments)</b>							
Existing Debt (ST and LT)	(14,299)	-	-	-	-	-	-
Revolving Credit Line	-	1,561	2,509	7,400	3,528	1,343	(4,671)
Term Loan A	-	(3,758)	(3,683)	(7,219)	(6,930)	(6,653)	(6,387)
Term Loan B	-	(1,322)	(1,309)	(2,592)	(2,540)	(2,489)	(2,440)
Subordinated PIK Debt	-	-	-	-	-	-	-
<b>Total Principal Repayments</b>	<b>(14,299)</b>	<b>(3,520)</b>	<b>(2,483)</b>	<b>(2,411)</b>	<b>(5,943)</b>	<b>(7,800)</b>	<b>(13,498)</b>
<b>Ending Balances</b>							
Existing Debt (ST and LT)	45,729	-	-	-	-	-	-
Revolving Credit Line	-	57,239	59,748	67,149	70,676	72,019	67,348
Term Loan A	-	184,156	180,473	173,254	166,324	159,671	153,284
Term Loan B	-	130,914	129,604	127,012	124,472	121,983	119,543
Subordinated PIK Debt	-	107,093	112,698	118,596	124,803	131,334	138,207
<b>Total Ending Debt Balance</b>	<b>45,729</b>	<b>479,402</b>	<b>482,523</b>	<b>486,011</b>	<b>486,275</b>	<b>485,006</b>	<b>478,382</b>
<b>Cash Interest Expense</b>							
Existing Debt (ST and LT)	(157)	(73)	-	-	-	-	-
Revolving Credit Line (Incl. Standby Fees)	-	(388)	(842)	(953)	(1,078)	(1,165)	(1,190)
Term Loan A	-	(1,711)	(3,486)	(3,509)	(3,491)	(3,469)	(3,443)
Term Loan B	-	(1,441)	(2,946)	(2,995)	(3,025)	(3,054)	(3,079)
Subordinated PIK Debt	-	(1,798)	(3,736)	(3,932)	(4,138)	(4,354)	(4,582)
<b>Total Cash Interest Expense</b>	<b>(157)</b>	<b>(5,411)</b>	<b>(11,011)</b>	<b>(11,388)</b>	<b>(11,732)</b>	<b>(12,042)</b>	<b>(12,294)</b>
<b>Total Interest Expense</b>							
Cash Interest	(157)	(5,411)	(11,011)	(11,388)	(11,732)	(12,042)	(12,294)
PIK Interest	-	(2,696)	(5,605)	(5,898)	(6,207)	(6,531)	(6,873)
<b>Total Interest Expense</b>	<b>(157)</b>	<b>(8,107)</b>	<b>(16,615)</b>	<b>(17,286)</b>	<b>(17,939)</b>	<b>(18,573)</b>	<b>(19,167)</b>
<b>Interest Income on Cash</b>	<b>58</b>	<b>35</b>	<b>18</b>	<b>15</b>	<b>15</b>	<b>15</b>	<b>15</b>

## PIK Debt Schedule

All figures in JPY millions unless stated

	2025E	2026E	2027E	2028E	2029E	2030E
<b>Subordinated PIK Debt</b>						
Beginning	104,397	107,093	112,698	118,596	124,803	131,334
Plus: PIK Accrual	2,696	5,605	5,898	6,207	6,531	6,873
Ending	<b>107,093</b>	<b>112,698</b>	<b>118,596</b>	<b>124,803</b>	<b>131,334</b>	<b>138,207</b>
Interest Rate	4.3%	8.5%	8.5%	8.5%	8.5%	8.5%
Cash Percent	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
PIK Percent	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
Total Percent	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash Amount	1,798	3,736	3,932	4,138	4,354	4,582
PIK Amount	2,696	5,605	5,898	6,207	6,531	6,873
Total Amount	<b>4,494</b>	<b>9,341</b>	<b>9,830</b>	<b>10,344</b>	<b>10,886</b>	<b>11,456</b>
Cash Interest	(1,798)	(3,736)	(3,932)	(4,138)	(4,354)	(4,582)
Accrued Interest	(2,696)	(5,605)	(5,898)	(6,207)	(6,531)	(6,873)
<b>Total PIK Interest Expense</b>	<b>(4,494)</b>	<b>(9,341)</b>	<b>(9,830)</b>	<b>(10,344)</b>	<b>(10,886)</b>	<b>(11,456)</b>

Sources: S&P Global, LSEG