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*Corporate Finance*



Japan's Gateway to Europe:  
M&A Activity in the DACH Region

## Executive summary

Japan is one of Asia's most active M&A players. On average, there are around 400 outbound and inbound transactions involving Japan per year. In particular, rising shareholder activism and stricter governance regulations are forcing management teams to realign their M&A strategies. Increasing shareholder value has become the dominant guiding principle of corporate governance. The focus is clearly on acquiring technological know-how and ensuring that transactions are driven by sound economic logic. The DACH<sup>1</sup> region, and Germany in particular, plays an important role in the M&A strategy of Japanese companies. On average, there are 50 transactions every year, with a particular increase in minority investments. Metzler Corporate Finance has been active in Japan for years. With a strong network and access to owner-managed companies, Metzler is the best partner for Japanese companies looking to pursue M&A transactions in the DACH region.

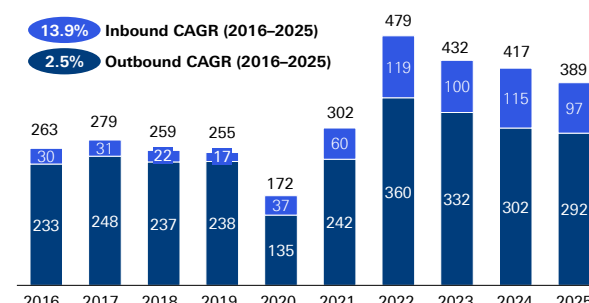
## Structural development of the Japanese cross-border M&A market

Japanese corporations have used M&A as a strategic tool to grow internationally for decades and their approach has shifted away from a pure expansion strategy towards efficient capital allocation.

While deal activity fluctuates naturally over time, influenced by common factors such as macroeconomic conditions, political events and FX cycles, the underlying rationale for cross-border M&A has become increasingly structural for Japanese corporations.

There are three important components when investigating M&A activity. The most obvious is "outbound activity", i.e. Japanese businesses buying companies outside of Japan. Transactions in the opposite direction are called inbound activity, i.e. foreign corporations acquiring in Japan. In recent years, we have also seen increasing sell-side activities, i.e. Japanese companies selling off non-core and/or loss-making subsidiaries outside of Japan.

Japan's outbound & inbound transaction development  
(# of deals)



Source: Mergermarket as of March 19, 2026

**Outbound M&A activity** remains the dominant component of Japan's cross-border M&A activity and three long-term drivers help to explain why:

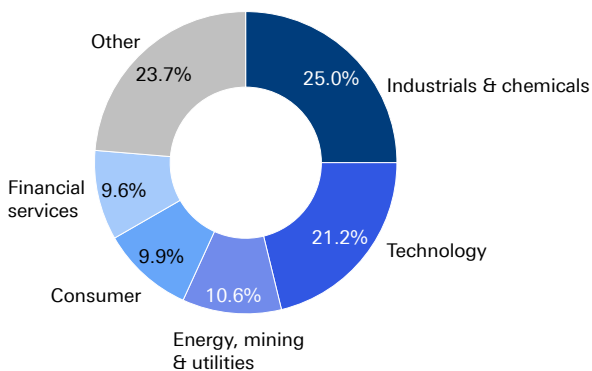
- Japan's domestic market is facing persistent demographic headwinds. The country's population peaked around 2008 and has been declining since, limiting long-term growth potential at the native markets and increasing the incentive to diversify revenue pools internationally.
- Japanese corporations operate in an intensifying regional innovation race. Geographical

<sup>1</sup> DACH means Germany, Austria and Switzerland

neighbors China and South Korea have significantly strengthened their innovation capabilities and patent activity, reinforcing the strategic need for Japan to access new technologies, often through targeted acquisitions abroad.

- Outbound M&A activity is frequently driven by practical commercial priorities. Acquiring local sales channels, customer networks and market access can accelerate international scaling far more quickly than organic expansion alone.

**Japan's outbound transactions**  
(as of 2025)



Source: Mergermarket as of March 19, 2026

Outbound M&A activity is not merely about geographic reach but is fundamentally capability-led. The sector split reveals a clear concentration in industrial and technology companies demonstrating that Japanese buyers prioritize industrial competitiveness over broad diversification. For these players, M&A activities serve as a capability-sourcing strategy. They offer the fastest route to strengthening Japan's industrial base by acquiring in-depth engineering know-how, specialized processes, and technology enablers, such as industrial or automation software to upgrade products and service models across the entire value chain.

Historically, however, the execution of this strategy

has often been hampered by rigid internal governance. In past decades, many Japanese boards were characterized by a lack of independent oversight and a culture of cross-shareholding, which shielded management from market pressure. This environment often led to prestige-driven acquisitions, where the scale of the transaction was prioritized over strategic fit or capital efficiency. Without the pressure to deliver specific returns on invested capital, many of these deals resulted in poor integration synergies and low long-term growth rates.

Japanese outbound M&A activity is, compared to earlier times where acquisitions delivered mixed outcomes, now more disciplined and boards are being forced to move away from insular decision-making. Today, they demand a clear strategic fit, tighter valuation logic and more credible integration plans. This evolution coincides with rising expectations for capital efficiency, pushing companies away from broad portfolio expansion towards a more active review of both financial performance and strategic synergies. Therefore, a higher deal count focused on less sizeable acquisitions has been observed since the Covid-19 pandemic.

Another important trend has resulted from this structural shift: the revitalization of the **inbound M&A** market. As Japanese C-levels have become more sensitive to capital efficiency and underperforming assets, the market has opened for international investors. Foreign strategic buyers and private equity firms are increasingly finding opportunities in non-core carve-outs and take-private transactions. Here, they can apply global management practices to "unlock" value in technically superior but under-managed assets, as the traditional resistance to foreign ownership fades in favor of professionalized portfolio management.

Recent regulatory and market reforms have contributed to disciplined deal-making:

- In August 2023, the Japanese Ministry of Economy, Trade and Industry (METI) issued

the "Guidelines for Corporate Takeovers", framing them as essential rules to dismantle the defensive governance of the past by emphasizing procedural fairness and the board's responsibility to sincerely consider credible proposals.

- At the same time, the Tokyo Stock Exchange (TSE) launched its initiative on management consciousness of cost of capital and stock price, requesting that listed companies disclose value-improvement plans. Since January 2024, the TSE's published list of compliant companies has created visible peer pressure, effectively ending the era of "quiet" capital allocation.

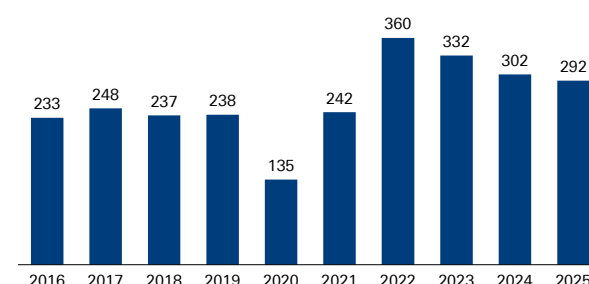
Together, these developments raise the bar for control deals while making portfolio reshaping more efficient. As boards are now expected to articulate value creation clearly, they are increasingly revisiting what is truly core versus non-core. This has given rise to a third, increasingly important component in Japan's cross-border M&A activities: **sell-side and carve-out activity** by Japanese corporations. This means Japanese corporations are no longer just buying abroad but are actively divesting underperforming foreign subsidiaries or carving out international business units in order to shift capital into higher-priority areas and focus on operational synergies.

### Japan is Asia's most active outbound acquirer

Japan remains Asia's most active outbound acquirer by deal count. The key signal is not constant year-on-year growth but the resilience of outbound activity across cycles. After a clear disruption during the Covid-19 pandemic, outbound deal flow rebounded and then stabilized at an elevated pre-Covid-19 level, suggesting that cross-border M&A has become an embedded strategic tool for Japanese corporations rather than a temporary expansion response.

### Japan's total outbound transactions

(# of deals)

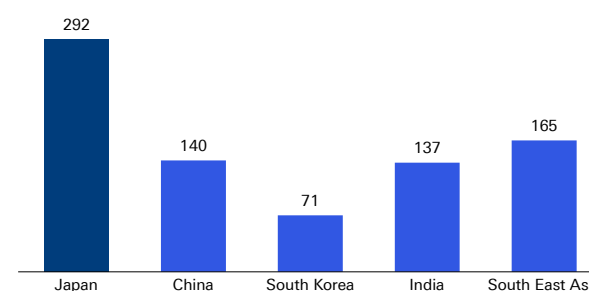


Source: Mergermarket as of March 19, 2026

This pattern reflects the structural drivers outlined above. Limited domestic growth, the need to access specialized capabilities and the commercial logic of acquiring market access and external technology have all made outbound M&A a more persistent element of Japanese corporate strategy. In an Asian comparison, Japan also stands out for the relative continuity of its outbound model.

### Japan's activity compared to other Asian countries

(as of 2025, # of deals)



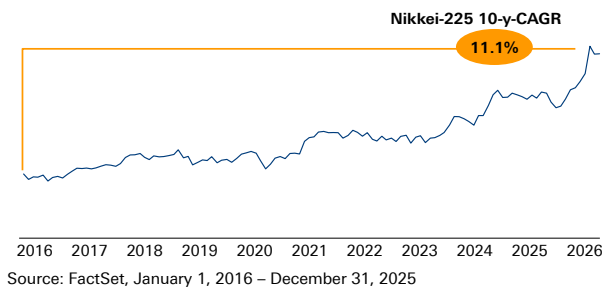
Source: Mergermarket as of March 19, 2026

In markets where cross-border activity is more exposed to policy constraints, geopolitical frictions, or shifts in capital flows, outbound volumes can become more episodic. Japan's longer-established cross-border playbook and greater emphasis on repeatable, capability-led acquisitions help explain why its outbound activity remains at a comparatively high level.

## Equity re-rating, cash reserves and governance pressure as M&A firepower

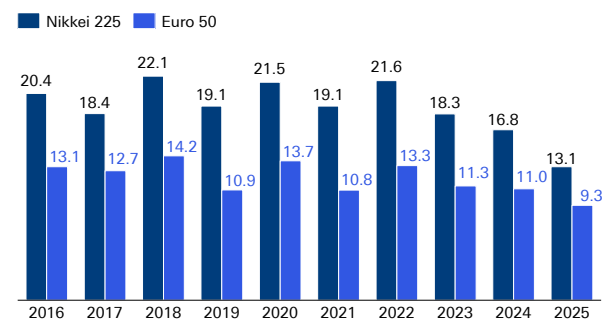
The charts below highlight two important conditions behind Japan's current M&A capacity: improved market confidence and still-elevated corporate liquidity. The sustained rise of the Nikkei 225 since 2016 points to a more supportive equity market backdrop, while the cash-to-market-cap comparison shows that Japanese corporations continue to operate with higher liquidity buffers than many European peers. This combination supports board confidence and reinforces the capacity for strategic action.

### Share-price development of Nikkei-225



### Cash/market cap ratio comparison

(in %)



A shift in perception is also visible in the movement of international long-term capital. In 2025, US investment firm Berkshire Hathaway, as an early mover, increased its stakes in Japan's five major trading houses – first acquired in 2019 – to around 10% each. Berkshire Hathaway's owner Warren Buffett subsequently emphasized that these holdings could be kept very long-term, reinforcing the

view that parts of traditional corporate Japan are increasingly seen as credible long-term value platforms rather than structurally discounted governance stories.

### Japan's five largest trading houses ("Sogo Shoshas")

Ownership worth USD 35.4bn and approx. 12% of **BERKSHIRE HATHAWAY INC.**'s total holdings



Source: Annual report Berkshire Hathaway (December 31, 2025)

Japanese corporations remain structurally cash-rich, and liquidity is best understood as strategic optionality rather than idle capital. This reduces execution friction in a market where scarce capabilities often need to be secured quickly and where waiting for ideal financing conditions can mean losing strategic ground. Cash supports outbound acquisitions by increasing flexibility, but it also matters on the sell side. While boards conclude that focus creates more value than breadth, strong liquidity makes it easier to pursue portfolio realignments from a position of strength rather than under pressure.

What now turns historic financial capacity into actual deal flow is governance pressure. The growing emphasis on cost of capital, valuation awareness, shareholder returns, and portfolio accountability is making inaction more difficult to defend. The current Japanese environment should therefore not be described simply as one of stronger earnings and large cash buffers. It is increasingly a market in which governance and activism convert balance-sheet capacity into action. A recent Toyota Industries case illustrates the sharper edge of that shift. In the Toyota Group's take-private of Toyota Industries, US investment firm and activist investor Elliott argued that the initial offer materially undervalued the company. He opposed the tender process and was among the investors that increased pressure

on Toyota to improve the economics of the deal. In March 2026, Toyota ultimately raised its offer, but the case also highlighted questions around pricing fairness and process transparency, and minority-shareholder treatment remains highly relevant in Japan's evolving governance environment. Buybacks, cross-shareholding unwinds, carve-outs and targeted acquisitions all follow from the same underlying shift. Capital is expected to work more efficiently, and management boards are under greater pressure to show how they will execute this.

### FX strengthening execution discipline

In the Japan/Europe M&A corridor, currency moves do not create the strategic rationale for M&A, but they do shape the discipline, timing and structure of transactions in a meaningful way.

Conversion rate JPY/EUR



A relative appreciation of the euro against the yen changes transaction economics on both the buy side and the sell side, while reinforcing a more selective deployment of capital overall:

- **Outbound affordability channel:** A strong euro compared to the yen raises the yen-equivalent entry valuation of European assets for Japanese buyers. In practice, this increases scrutiny around target quality, integration certainty and return visibility. The result is stricter selectivity which can of course result in a lower deal count.
- **Inbound valuation channel:** The same cur-

rency dynamic can also affect relative valuation in the opposite direction. Japanese assets may appear more attractively priced in euro terms even when their underlying operating fundamentals remain unchanged, resulting in higher interest by investors due to attractive valuations in the foreign currency.

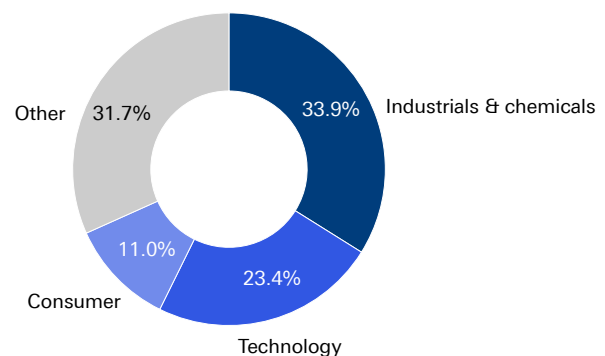
- **Sell-side repatriation logic:** For Japanese corporations divesting euro-denominated assets, a stronger euro improves the yen value of proceeds upon repatriation and thereby supports the timing of disposals when boards are already reassessing portfolio fit.

### Why the Japan/DACH corridor remains structurally attractive

Within Japan's broader outbound profile, the DACH corridor stands out because it translates general strategic intent into a highly tangible industrial fit. Its relevance is not driven by a single year's deal count, but by the repeated appearance of the same transaction logic across time and sectors.

Japan's outbound activity into DACH continues to cluster around industrial and technology businesses, which is consistent with the broader capability-led pattern of Japanese outbound M&A and underlines that the corridor is structurally aligned with how Japanese corporations use M&A.

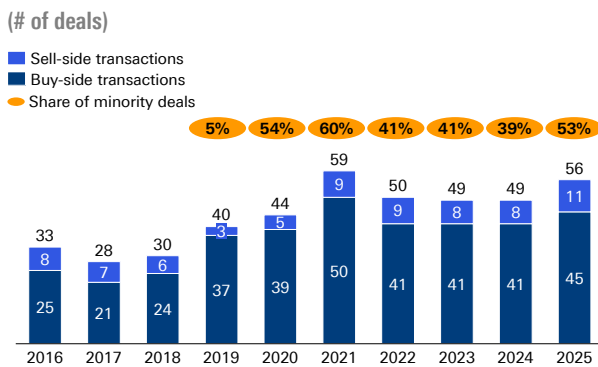
Outbound transactions from Japan to DACH (2021-2025)



Source: Mergermarket as of March 19, 2026

The Covid-19 period adds an important nuance to that picture as deal activity actually increased in 2020 and 2021. Lower cash deployment during the pandemic coincided with a marked rise in minority transactions and the fact that minority deal activity has remained elevated since then suggests that Japanese acquirers have become more flexible in how they access strategically relevant assets.

### Buy-side & sell-side transaction development in Japan/DACH



Source: Mergermarket as of March 19, 2026

The fit can be clustered in a straight-forward way:

- **Japan's demand:** Stronger engineering know-how, automation capability, industrial software, higher-value product platforms and technologies that can improve competitiveness across existing industrial platforms.
- **DACH's supply:** A dense ecosystem of machinery, automation, chemicals and materials, electrification, precision technology, industrial software and specialized industrial suppliers with profound know-how and embedded operating expertise, combined with a scalable platform foundation and access to customer, supplier and industrial relationships in Europe's largest economy.

This combination is what makes the corridor particularly resistant. Germany remains the central anchor because of its industrial scale, specialized SME base and high concentration of hidden champions.

For Japanese buyers, these companies are especially attractive because they often combine technological differentiation, defensible market positions, export strength and in-depth process know-how in niches that are highly relevant for long-term industrial upgrading. In many cases, the acquired asset is valuable not only on a stand-alone basis but because it can be integrated into a broader Japanese manufacturing and distribution platform with global reach.



















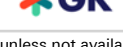

The corridor is further reinforced by long-standing trade relations and by industrial commonalities that go beyond pure transaction logic. Japan and Germany share deep-rooted traditions of engineering quality, manufacturing depth, export orientation and long-term industrial ownership. These similarities do not remove execution risk, but they do create a greater degree of strategic familiarity, operational compatibility and business credence than in many other cross-border combinations.

At a time when global trade relationships are increasingly shaped by geopolitical tension, supply-chain concerns and economic-security considerations, the Japan/Germany corridor benefits from a comparatively stable and trusted commercial foundation with an established trade partnership for more than 160 years.

### Outbound activity into DACH remains a capability-led acquisition strategy (selected transactions)

In historic comparison, the acquisition objective has shifted away from pure geographic expansion and market share gains to the selective purchase of technologies, products and specialist know-how that can strengthen existing platforms and accelerate strategic repositioning. It is not just a matter of foreign presence but also of gaining access to industrially deployable capabilities that can be integrated and scaled.

Examples of recent acquisitions carried out by Japanese corporations

Acquirer	Target	Target country	Date <sup>1)</sup>	Industry	Deal value	Target description	Transaction rationale
AsahiKASEI	 AiCuris <small>Anti-infective Cures</small>		Feb-26	Biotechnology	USD 920m	Developer and licensor of novel antiviral therapies	Strengthen and expand pharma portfolio
SoftBank	 ABB ROBOTICS		Oct-25	Industrials	USD 5,375m	Industrial robotics and modular automation	Establishing a global pillar for AI-driven automation
HITACHI	 synvert		Sep-25	Technology	n.a.	Data analytics and AI platform consultancy	Strengthening digital transformation and agentic AI
USHIO	 amli OSRAM		Jul-25	Technology	USD 102m	Industrial specialized light and sensor solution specialist	Securing leadership in industrial lighting
KEYENCE	 CADENAS		May-25	Technology	n.a.	3D parts management and catalogue software	Integrating digital tools into industrial design
Asahi	 Leiber <small>100 Years Excellence in Yeast</small>		Mar-25	Consumer/Food	n.a.	Manufacturing of specialty products made from yeast	Increase technological capabilities and EU market presence
NEX NIPPON EXPRESS	 Simon Hegele <small>Healthcare Solutions</small>		Feb-25	Industrials	n.a.	German healthcare-focused contract logistics provider	Expansion of healthcare logistics capabilities
Muroo Systems	 NUKEM Technologies		Sep-24	Industrials	n.a.	Nuclear engineering and waste management	Expansion of R&D capabilities in nuclear energy
RENESAS	 Pantronics		Jun-23	Industrials	n.a.	Semiconductor company for NFC <sup>2)</sup> technology	Connectivity for IoT and automotive
FUJITSU	 GK		May-23	Technology	USD 459m	Cloud solutions provider for international retail industry	Acceleration of global DX offerings

1) Completion date, unless not available; 2) Near Field Communication

The target pattern is highly consistent and can be grouped into three recurring capability clusters:
























- **Industrial engineering and automation:** Includes robotics, process automation and specialized industrial components that can strengthen manufacturing efficiency, product quality and operational resilience.
- **Software, data and advanced technology enablement:** Includes industrial software, cloud-enabled platforms, control and monitoring systems, data- and AI-related services, as well as precision and optoelectronic technologies that improve connectivity, digital functionality and product upgrading.
- **Biotechnology and healthcare capabilities:** Includes biopharmaceutical innovation, antiviral and specialty therapeutic platforms, as well as selected healthcare-related service capabilities that support higher-value portfolio expansion and access to specialized know-how.

These assets are attractive not only because of their stand-alone quality, but also because they can upgrade product architecture, strengthen digital capabilities and improve operating models.

This described pattern fits the broader outbound mix, where the sectors Industrials and Technology remain dominant. It also reflects a more urgent strategic reality in Japan. The need to modernize legacy systems, strengthen automation and accelerate industrial digitization is increasing, while the time and resources available to build scarce capabilities internally is shrinking. DACH remains especially relevant because it offers specialized engineering and digital know-how that is already close to industrial deployment, commercially proven and often embedded in companies with defensible niche positions. This makes such assets easier to underwrite not only as stand-alone businesses but as catalysts for broader platform transformation within Japanese groups.

## Sell-side activity is becoming the corridor's second strategic theme (selected transactions)

Examples of recent disposals carried out by Japanese corporations

Acquiror	Target	Target country	Date <sup>1)</sup>	Industry	Deal value	Target description	Transaction rationale of the seller
			Feb-26	Automotive	n.a.	European steering systems supplier for automotive OEMs	Divestment of a European automotive business
			Sep-25	Automotive	n.a.	European supplier of seat foam components	Divestment of a European seat components business
AEQUITA			Aug-25	Industrials	n.a.	German manufacturer of needle roller bearings	Divestment of a European bearings business
			Jun-25	Industrials	n.a.	German producer of industrial carbon and graphite products	Disposal of a non-core European asset
			Apr-25	Technology	USD 45m	Video security systems provider	Optimize focus and reduce exposure to non-core security
			Mar-25	Automotive	n.a.	Automotive interior parts	Divestment of a non-core automotive supplier
AEQUITA			Jan-24	Technology	n.a.	German IT services and cloud/application services business	Carve-out of a non-core services business
AEQUITA			Nov-23	Automotive	n.a.	Brake friction materials and braking components supplier	Divestment of a non-core automotive supplier
			Feb-22	Industrials	n.a.	German waste-to-energy technology provider	Disposal of a European business to refocus management resources

1) Completion date, unless not available

Sell-side activity is becoming an increasingly relevant dimension of the Japan/DACH M&A corridor. Across the verified deal sample, the dominant pattern is not opportunistic disposal but deliberate portfolio reshaping. The assets involved can mostly be found in non-core European positions where strategic fit has weakened, scale remains limited, or the parent no longer sees sufficient justification for continued ownership due to a high level of complexity as well as the heightened capital and management attention required.

The sell-side pattern can be grouped into three recurring transaction situations:

- **Non-core industrial and technology adjacencies:** Includes businesses that remain operationally sound but no longer fit the parent's sharpened portfolio logic or capital-allocation priorities.
- **Carve-out situations with separable operating logic:** Includes subsidiaries or business units with a sufficiently clean perimeter, distinguishable operations and a stand-

alone investment case that can add economic value for a strategic buyer or financial sponsor.

- **Subscale or lower-return European positions:** Includes assets where long-term ownership has become harder to defend because growth, synergies, or strategic relevance no longer justify the organizational and financial commitment. Currently this is relevant especially in the automotive supply chain where scale pressure, margin compression and weaker strategic fit within broader conglomerate structures call such commitments into question.

What makes these situations more relevant now is not only the quality of the assets themselves with good structures and intellectual property but the broader shift in Japanese governance and capital-allocation. Divestments have become easier to justify internally. Sell-side action is no longer merely a reactive clean-up exercise but increasingly a repeatable capital-allocation tool used by corporations to

simplify portfolios, release trapped capital and redirect resources toward areas with clearer strategic relevance and stronger return potential.

DACH is particularly important in this context because many of the relevant assets are in specialized industrial and technology niches where separation is feasible, and buyer interest can be supported by a credible stand-alone story. This is especially true where carve-outs can be presented with operational clarity, transparent financials and a realistic path to value creation under new ownership. In this sense, the M&A corridor is not only a route for Japanese corporations to buy capability but also a channel through which they can actively reshape European portfolios in a more disciplined way.

### **2026 outlook: continuous positive momentum and stable deal activity**

Japan's M&A market heading into 2026 is defined by renewed deal momentum under strict discipline. The first months of 2026 already support the pattern outlined in this report. Outbound activity has not weakened but continues where strategic rationale, execution visibility and capability relevance remain convincing. This is also visible in concrete transactions, e.g. Asahi Kasei's agreement to acquire Germany's Aicuris in February 2026, which underlines that Japanese buyers remain willing to pursue strategic acquisitions in Germany where capability access and long-term platform fit are clear.

The combined effect of governance reform, TSE-led capital-allocation pressure and a more active shareholder environment is making portfolio action more tangible. Berkshire Hathaway's exposure to Japan's five major trading houses was built up further in 2025, but its broader signaling effect did not become visible until 2026 with reporting of year-end financials. This helped sharpen international investor attention on Japan again and reinforced the perception that parts of corporate Japan are increasingly viewed as credible long-term value platforms rather than structurally discounted governance stories.

The Toyota Industries deal showcases the sharper edge of the same environment because activist pressure challenged pricing and process in the take-private and reinforced the message that boards are under greater pressure to justify capital allocation.

Sell-side activity is likely to be addressed more proactively and on a broader scale. Governance reform, activism and the continued unwinding of cross-shareholdings will increase pressure on companies to reassess the fit of their portfolios more rigorously, making carve-outs, subsidiary disposals and other portfolio actions more likely. This should not be limited to smaller, non-core assets. Where overseas businesses or larger divisions are not operating efficiently within the conglomerate structure or are not making a sufficiently convincing strategic contribution, bigger sell-side situations may emerge due to positive prior examples. In this way, 2026 will be shaped not by a weaker strategic appetite but by an increase in transaction activity and a broader willingness to reshape portfolios more decisively.

Overall and excluding current geopolitical tensions, DACH remains an important region for Japanese corporations to execute M&A and deal activity. Transactions between Germany and Japan in particular have recently been growing steadily and are expected to develop positively in 2026. Since 2001, Metzler has been operating out of its own office in Tokyo and has advised on many cross-border M&A transactions between Japan and especially Germany. On numerous occasions, Metzler's corporate finance team has demonstrated first-class financial advisory capability for Japanese corporations relating to acquisitions in Germany and also executed several sell-side deals for German subsidiaries of Japanese clients. Metzler provides top access to the German Mittelstand, and, as a family-owned bank, is a trustworthy partner especially for privately held businesses. This aspect is highly appreciated by Japanese companies and is the reason why Japanese companies choose Metzler as their M&A advisor.

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