A SURVEY OF ENTREPRENEURS AND INVESTORS

Search Funds Study in Japan 2026

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Foreword

Many of Japan's small and medium-sized enterprises face a quiet crisis: the absence of a successor. Companies that possess technology, jobs, and the trust of their customers see their options narrow for one reason alone — there is no one to take over. In response to this challenge, the search fund[1] offers a new form of succession, one that brings together individuals who want to become owner-managers and owners who want to entrust their companies to a successor, with capital to connect the two.

Developed in the United States over four decades, the model arrived in Japan roughly ten years ago and has since evolved in its own way, adapting to Japan's financial environment and social challenges. Yet the overall picture has never been described with systematic data. Who becomes a search fund entrepreneur, and why? What kinds of companies are being taken over, and from whom? What do investors look for, and where is the industry heading? This report is an attempt to answer these questions with primary data, based on responses from 35 search fund entrepreneurs and 10 investors in Japan — the large majority of the market's participants. To the best of the research team's knowledge, it is the first comprehensive primary survey in Japan to cover both search fund entrepreneurs and investors using a questionnaire designed for international comparability.

We extend our sincere thanks to the search fund entrepreneurs and investors who took part in the survey, and to everyone working daily to develop this industry. We hope this report will serve as a mirror of where this young industry stands today and as a point of reference for all who are considering its next step. This is the first edition of the *Search Funds Study in Japan*. We intend to continue this observation at regular intervals and to support, with data, the development of business succession and search funds in Japan.

Hirokazu Hasegawa and Ryukichi Miyabayashi

[1] Search fund: an entrepreneurial investment model in which a prospective owner-manager raises search capital from investors to identify an acquisition target, becomes CEO of the acquired company, and returns capital to investors through a future exit.

Executive Summary

In what is, to the best of the research team's knowledge, the first comprehensive survey in Japan to cover both entrepreneurs and investors, responses were obtained from 35 search fund entrepreneurs and 10 investors, capturing the large majority of the market's participants (Section 1.3).

In the United States and Europe, the search fund is one form of entrepreneurship through acquisition (ETA): becoming an owner-manager by acquiring an existing company rather than founding one from scratch. In Japan, both the people who choose this path and the context in which they operate show features not seen in Western markets. The traditional search fund entrepreneur, who typically launches a search upon completing an overseas MBA (median age at launch 34.5)[2], closely resembles the Western profile. Alongside this, there is a second route — the accelerator-type search fund, whose entrepreneurs enter after a long period of practical experience, including P&L responsibility (median age 45) — and this route accounts for the majority of the known population. The timing of entry differs, but in both cases the path appears to be chosen less as an extension of start-up entrepreneurship than as a new career route for people who seek experience as an owner-manager.

Acquiring a company in need of succession is common to search funds everywhere, but in Japan the shortage of successors is recognized as a national social issue. Half of the investors surveyed cite its resolution as an objective, and in accelerator-type search funds in particular it carries weight in deal selection. In a financial environment with a thin layer of institutional investors, the accelerator-type model — in which a single investor provides both search capital and hands-on support — has become the mainstream. The resulting pattern, in which management talent from the cities becomes the owner-managers of succession companies in the regions, also helps to counter the concentration of economic activity in the major metropolitan areas. Some regional financial institutions have acted as search accelerators from the industry's earliest days, a development not observed in overseas studies. The imported financial model, it appears, is growing within an ecosystem of Japan's own.

As a financial model, however, Japan is still "before dawn." Of the 17 companies acquired, 88% are still held, and there have been only two exits[3]. Returns will not be demonstrated until 2027 or later, and neither successes nor failures have yet been observed in sufficient numbers. The true value of the Japanese ecosystem will be tested by the first wave of exits.

The challenge ahead is to attract ambitious, high-caliber talent to this young industry. Participants rank the expansion of the candidate pool as the top priority, while also cautioning that "accumulating success cases matters more than rapid expansion." Success stories that serve as role models will draw the next entrants and raise public awareness. Contributions of knowledge from educational institutions and continued observation over time are equally essential. We hope this report can play a part in that effort.

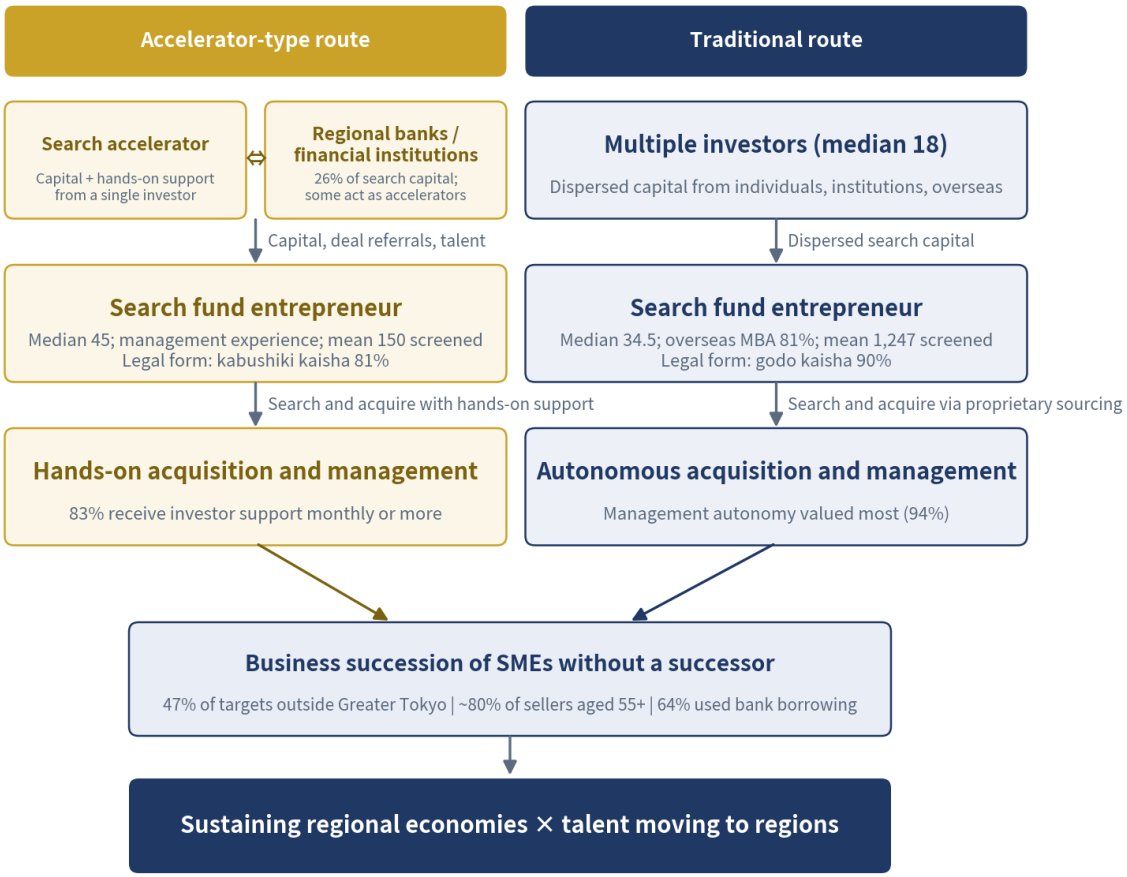
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[2] Traditional type: the standard model originating in the United States, in which search capital is raised in small amounts from multiple investors. Accelerator type: a model that has become the mainstream in Japan, in which a single investor (an operating company, or "search accelerator") provides search capital together with hands-on support for management.

[3] Exit: the recovery of invested capital through the sale of shares in the acquired company or similar means.

Figure ES-1 The Japanese search fund ecosystem (conceptual)

Two routes converging on business succession



Conceptual diagram based on the research team's discussion (Section 8.4). See Chapters 2–5 for supporting data. Source: Search Funds Study in Japan 2026

Five Key Findings

Figure ES-1 presents an overview of the Japanese search fund ecosystem, and Figure ES-2 (at the end of this summary) summarizes the principal figures. The five key facts underpinning this picture are as follows.

1. There is no single entrepreneur profile: two routes of entry

Search fund entrepreneurs in Japan divide into the traditional type, who launch upon completing an overseas MBA (median age at launch 34.5; 81% hold an overseas MBA), and the accelerator type, who enter after a long period of practical experience, including P&L responsibility (median age 45; 35% hold an overseas MBA) (Section 3.4). Overall, the median age is 36 and 71% hold an MBA — older than the United States (32) and the rest of the world excluding the US and Canada (34) — but this overall figure is a blend of two distinct groups. The most common backgrounds are management consulting (34%), operating companies in other industries (34%), and general trading companies (31%) (multiple responses); 66% have managed subordinates and 46% have held P&L responsibility.

2. The accelerator type is the mainstream, and the market has a dual structure

Even on a respondent basis, the accelerator type is the largest group at 49% (traditional type 46%), and in the known population accelerator-type entrepreneurs outnumber traditional-type entrepreneurs by 34 to 20, roughly 1.7 to 1. The motives for choosing each type are mirror images: 94% of traditional-type entrepreneurs cite management autonomy, while accelerator-type entrepreneurs cite the content of investor support (65%) and ease of fundraising (65%). The two types are complementary rather than competing. Relative to the globally standard traditional model, the strong demand for a hands-on model is a pronounced structural feature of the Japanese market.

3. A vehicle for business succession, reaching into the regions

Eighty percent of entrepreneurs are based in the Greater Tokyo area (Tokyo and three neighboring prefectures; Tokyo alone 77%), yet 47% of acquired companies are located outside it. Sellers are predominantly founders (35%) and second-generation or later family owners (35%), and roughly 80% are aged 55 or older. The survey confirms a pattern in which management talent moves from the cities to regional SMEs facing succession problems. Deal sourcing, however, is concentrated in M&A intermediaries (81% use them at high frequency), while public support agencies, licensed professionals, and chambers of commerce remain largely unused — leaving considerable room to develop regional channels.

4. The industry is on the eve of exits; returns are yet to be proven

Of the 17 acquired companies, 88% are still held, and 67% of investors have no exit track record. Given that acquisitions are concentrated in 2024 and later, the next three to five years will be the first period in which the returns of Japanese search funds are substantively demonstrated. Expected exit routes are evenly split between sale to a strategic buyer (33%) and management buyout (33%), with 27% undecided (IPO 7%).

5. Participants are divided in their assessment, and public awareness is still low

Asked to assess the current state of the industry, 43% of entrepreneurs describe it as “active” while 40% describe it as “sluggish.” This split strongly reflects a difference between the two types (56% of traditional-type entrepreneurs say “active,” while “sluggish” is the most common response among accelerator-type entrepreneurs at 47%), and the gap persists even when comparing entrepreneurs at the same post-acquisition stage (Section 8.1). Public awareness of the search fund concept is rated in the lowest band by 69% of entrepreneurs. Investors, while recognizing the growth of the past three years (80% say “expanding”), identify cooperation with financial institutions, education and talent development, and the regulatory and tax environment as the infrastructure most lacking.

Figure ES-2 | The survey at a glance

Responses

35 + 10

Entrepreneurs and investors responded

94% of the 16 known traditional funds;
a little over 60% of all entrepreneurs

Composition

Approx. 1.7 : 1

Accelerator type outnumbers traditional type 1.7 to 1

Known population 34 vs 20;
the hands-on model is the mainstream

Routes of entry

34.5 / 45

Two routes: post-MBA and post-experience

Median age at launch by type;
the overall 36 is a blend

Regions

47%

of targets lie outside Greater Tokyo

80% of entrepreneurs based in Greater Tokyo;
talent moves to the regions

Progress

27 / 17 / 2

27 launched, 17 acquired, 2 exits

Median year of launch 2024;
a rapid take-off phase

Financing

64%

of acquisitions used bank borrowing

Banks play a key financing role;
cooperation remains a challenge

Exits

88% still held

An industry on the eve of exits

First wave of exits
expected in 2027–2032

Outlook

70%

of investors expect growth in 3–5 years

Bank cooperation, education, and
regulation rated as lacking

Source: Search Funds Study in Japan 2026 (entrepreneurs N=35, investors N=10). See each chapter for definitions and N.

Chapter 1 Overview of the Survey

1.1 Purpose and background

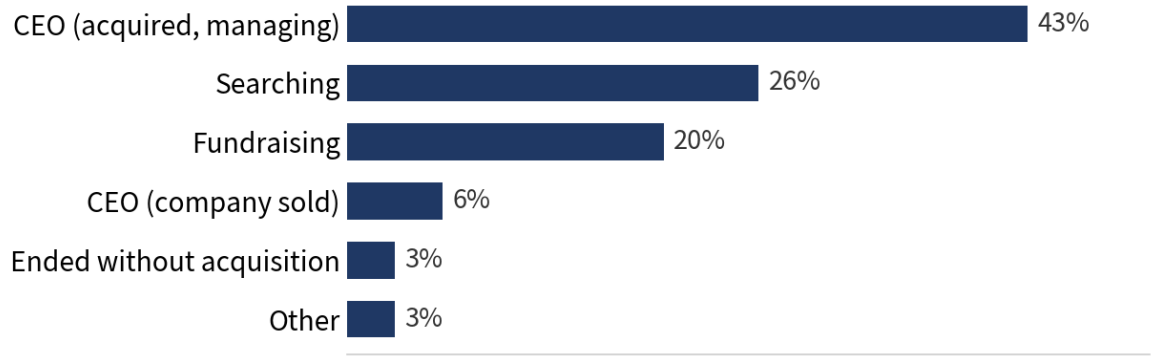
This survey was conducted by the research team to build a systematic picture of the search fund market in Japan, with the aim of contributing to the development of the industry and to the international research community. To the best of the research team's knowledge, it is the first comprehensive primary survey in Japan to cover both search fund entrepreneurs and investors using a questionnaire designed for international comparability. The questions follow the Stanford GSB Search Fund Study and the IESE International Search Funds Study, ensuring comparability, and add topics specific to Japan such as business succession, regional economies, and cooperation with financial institutions.

1.2 Method and sample

The survey was administered online to both search fund entrepreneurs and investors using two questionnaires. The outline is as follows.

- **Survey period**: 3 June – 13 July 2026 (online survey, Qualtrics)
- **Form A (search fund entrepreneurs, 99 questions)**: 35 valid responses
- **Form B (investors, 42 questions)**: 10 valid responses (organizations and individual investors)
- **Respondent status (Form A)**: CEO (acquisition completed, currently managing) 15; searching 9; fundraising 7; CEO who has sold the company 2; former searcher (search ended without acquisition) 1; other 1 (Figure 1)

Figure 1 | Current status of respondents (share)



N=35 (search fund entrepreneurs)

Coverage was verified by matching respondents against investor-side data, industry association lists, and public information (Section 1.3). The survey covers more than 80% of the principal investors active in Japan, 94% (15 of 16) of the traditional search funds known to the Search Fund Association of Japan, and roughly half of known accelerator-type entrepreneurs. The investor sample includes individuals with prior experience as entrepreneurs. Policies on data quality control, treatment of missing values, protection of anonymity, and the criteria for reporting monetary items are set out in Appendix A.

1.3 Verification of coverage

This survey is not a simple sample survey: it captures the large majority of the population. Coverage was verified in three ways.

First, for the traditional type, respondents were matched against the 16 search funds (in the operating, search, and fundraising phases) known to the Search Fund Association of Japan, and responses were obtained from 15 of them (94%; the one non-respondent confirmed a decision not to participate). The 16 include two partnered searches (pairs), and the absence of double counting was confirmed at the individual level.

Second, for the accelerator type, 34 individuals were identified — 25 with operating experience and 9 currently searching — by matching the declarations of search accelerators against public information (investor websites). The 17 respondents correspond to roughly half of this known population. In the course of this matching, the survey responses revealed one acquired-company CEO not listed on any website, indicating that the population count based on public information is a lower bound. On this basis, the total number of search fund entrepreneurs in Japan is estimated at approximately 51–58[4], and the 35 responses to this survey correspond to a little over 60% of that figure. Interviews with industry participants also indicate that search accelerators have several candidates at a "side-search" stage — people who begin evaluating target companies while still employed — and this group is included neither in public information nor in the population of this survey. The actual number of active participants is therefore likely to exceed the 34 identified, and the estimate above should be read as a lower bound.

Third, for investors, the research team assesses that the survey covers more than 80% of the list of principal investors whose activity in Japan can be confirmed.

1.4 Positioning of this report

This report is intended as a reference work on the search fund market in Japan. It focuses on descriptive statistics and comparative analysis by fund type; no statistical tests are applied.

Beyond a single-year report, it is positioned as the first edition of the *Search Funds Study in Japan*, the starting point for a program of observation to be repeated every two years. Just as the Stanford GSB Search Fund Study and the IESE International Search Funds Study have served as benchmarks for their respective markets, the intention is to build a definitive reference for the Japanese market by maintaining a consistent brand, survey design, and dataset that permits comparison over time. A further perspective — viewing the search fund not only as a model of financing and acquisition but as a mechanism for producing new owner-managers, and tracing the development of CEOs after acquisition — is set aside as a subject for future editions and for separate research.

[4] Breakdown of the estimate: 32–36 accelerator-type, 17–20 traditional-type, and 2 self-funded and hybrid (one of each confirmed in the responses).

Key takeaways

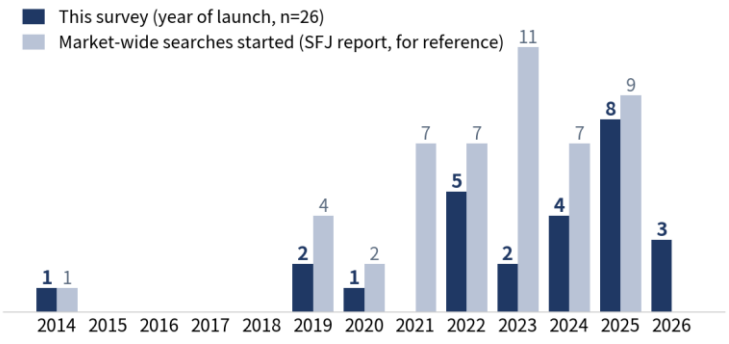
- The first comprehensive primary survey in Japan, covering 35 entrepreneurs and 10 investors and capturing a little over 60% of the known population (94% of traditional-type and roughly half of accelerator-type entrepreneurs)
- Focused on descriptive statistics and comparison by fund type, and positioned as the first edition of a biennial series

Chapter 2 Overview of the Search Fund Industry in Japan

2.1 Scale of the industry

This chapter provides an overview of the scale, composition of players, and legal structures of the Japanese search fund industry, drawing on the survey responses and public information. On a respondent basis, the survey identified 27 search funds launched, 17 acquisitions completed, and 2 exits. The median year of launch is 2024, with launches concentrated in the past few years (Figure 2), indicating an industry in a phase of rapid take-off. For reference, Figure 2 also shows the market-wide trend in the number of searches started each year, as reported by Search Fund Japan (4 in 2019, rising to 7–11 per year from 2021). Across the market, roughly ten new entrants have appeared each year; the small number of early-year launches in the survey sample reflects a respondent base weighted toward recent launches (year of launch and year of search start are defined differently, so the comparison is indicative only).

Figure 2 | Year of launch of search funds — compared with the market-wide trend



This survey = year of launch (year the funding agreement was completed, self-reported; 2 unknown excluded) / market-wide = year the search started (indicative comparison; Source: Search Fund Japan, "Search Fund Market in Japan, 2025 Observations")

2.2 Composition of players

On a respondent basis, the accelerator type is the largest group (Figure 3): 49% are accelerator-type (a single investor providing hands-on support) and 46% traditional-type (small amounts raised from multiple investors), with self-funded searches[5] and hybrids accounting for a small minority.

Because this composition reflects differences in coverage between segments (94% of the 16 traditional search funds known to the association, versus roughly half of accelerator-type entrepreneurs), the gap in the underlying population is wider still. In the known population, accelerator-type entrepreneurs outnumber traditional-type entrepreneurs by 34 to 20, roughly 1.7 to 1, making the accelerator type the mainstream of the Japanese

[5] Self-funded search: a search conducted with the entrepreneur's own funds, without raising capital from outside investors.

market[6]. Relative to the globally standard traditional model, this population structure is a pronounced structural feature of Japan. Note that the IESE international study (2026 edition) counts only traditional ("core") search funds, recording 8 funds and 4 acquisitions for Japan. The accelerator type, which accounts for the majority of the Japanese market, does not appear in international statistics, and this gap must be borne in mind when reading international comparisons.

Figure 3 | Type of search fund

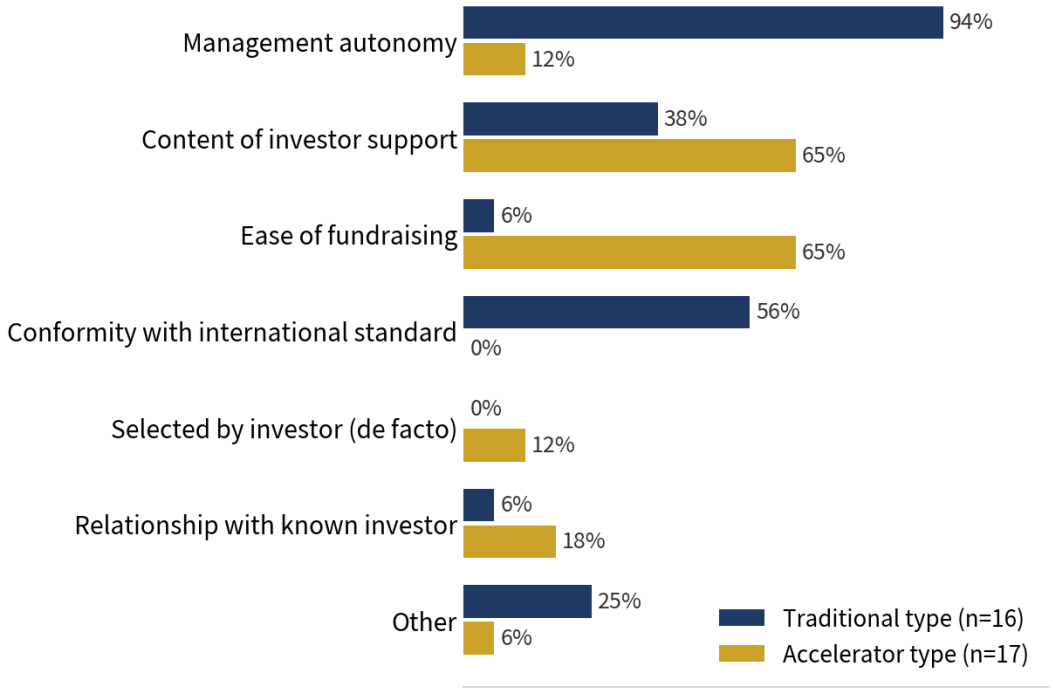


N=35 (respondent basis). Traditional type over-represented due to coverage differences.
Known population: accelerator type 34 vs traditional type 20 (Section 2.2)

The reasons for choosing each type are mirror images (Figure 4). Those who chose the traditional type cite "management autonomy" (94%) and "conformity with the international standard" (56%), whereas those who chose the accelerator type emphasize "the content of investor support" (65%) and "ease of fundraising" (65%). The top reasons for one type are rarely chosen by the other, and the two types serve distinct needs. This segmentation also corresponds to background: two-thirds (13) of the 20 holders of an overseas MBA chose the traditional type (81% of traditional-type entrepreneurs hold an overseas MBA). Those exposed to the international standard model through an overseas MBA tend toward the traditional type, while those entering by other routes tend toward the accelerator type.

[6] Basis of the estimate: 16 traditional search funds on the association's list (including 2 partnered searches, or 18 individuals) plus 2 self-identified entrepreneurs not on the list, versus 25 accelerator-type entrepreneurs in the operating phase and 9 searching, identified from declarations by search accelerators matched against public information. See Section 1.3 for details.

Figure 4 | Reasons for choosing the type (by type, multiple responses, all options)



Selection rate by type (%)

The structure of search capital divides sharply by type. Accelerator-type funds are typically backed by a single investor (median number of investors 1, range 1–10), whereas traditional funds are backed by a dispersed group (median 18, range 14–23). Sources of capital are beginning to diversify: domestic search accelerators (48%), individual angel investors (30%), regional banks and their affiliated investment companies (26%), domestic traditional search fund investors (22%), private equity funds (22%), and overseas dedicated search fund investors (19%).

2.3 Legal structure

Overall, 48% of the 27 search funds launched are kabushiki kaisha (joint-stock companies), 41% godo kaisha (the Japanese equivalent of an LLC), and 11% investment limited partnerships, but by type the legal structure divides almost completely. Ninety percent (9 of 10) of traditional funds use the godo kaisha, the vehicle corresponding to the LLC convention of the United States and the international standard. By contrast, 81% (13 of 16) of accelerator-type funds use the kabushiki kaisha, Japan's standard corporate form, under a single investor. The difference in fund design philosophy carries through even to the choice of legal entity. The use of the kabushiki kaisha by accelerator-type funds appears to reflect the ease of designing profit-sharing arrangements, such as preferred shares, under a single investor.

In practice, because lenders providing leveraged buyout loans require comprehensive security over the assets of the target company, a special-purpose company (SPC) is set up for the acquisition beneath the search fund entity (the godo kaisha or equivalent) to separate it from investor capital. It has been pointed out that this structure may give rise to multiple layers of taxation at exit, depending on the tiers through which equity interests are transferred, and the tax treatment requires confirmation by specialists. Actual exits through this structure remain scarce in Japan, and the treatment has not yet been

established in practice. Clarification of the regulatory framework is a common challenge for an industry approaching its exit phase[7].

International comparison note: For traditional search funds, the structure of search capital — a median of 18 investors — is as dispersed as in the United States (13) and the rest of the world excluding the US and Canada (15). The international median amount raised is US$502K (2024–25, IESE) and US$550K (most recent US cohort, Stanford) (see Appendix B).

Key takeaways

- With 27 funds launched, 17 acquisitions, and 2 exits, the industry is in its take-off phase; in the known population, accelerator-type entrepreneurs outnumber traditional-type entrepreneurs by roughly 1.7 to 1
- The motives for choosing each type are mirror images, and the legal structure divides between the godo kaisha (traditional, 90%) and the kabushiki kaisha (accelerator type, 81%)

[7] Qualitative information based on a limited number of interviews, not supported by aggregated data. Individual tax and legal judgments require confirmation by specialists.

Chapter 3 Profile of Search Fund Entrepreneurs

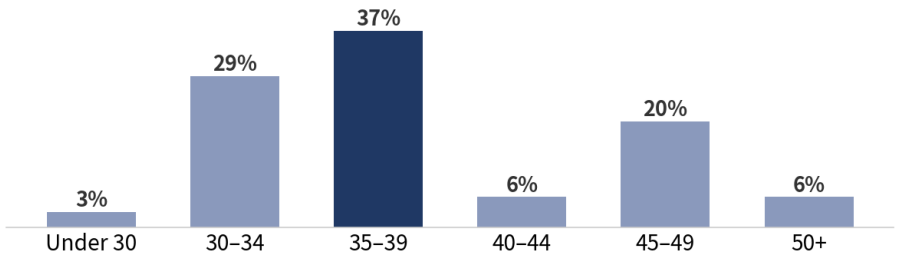
3.1 Basic attributes

This chapter examines the profile of the 35 search fund entrepreneurs who responded, covering basic attributes, career background, and their first contact with search funds, in that order. The median age at the start of the search is 36 (range 28–53), 97% are men, and 77% are based in Tokyo. Fifty-seven percent hold an overseas MBA; including domestic MBAs, the MBA share reaches 71%, and 83% have experience living abroad. The principal attributes are as follows.

Item	Result
Age at start of search	Median 36 (range 28–53)
Gender	Men 97%; women 3% (1)
Base	Tokyo 77%; other (Fukuoka, Kansai region, etc.) 23%
Highest degree	Overseas MBA 57%; domestic MBA 14%; other master's 14%; bachelor's 14%
Experience abroad	Yes 83% (1–3 years most common at 37%; 5 years or more 28%)

Figure 5 shows the distribution of age at the start of the search. Two-thirds are in their thirties, centered on the 35–39 band (37%), while 26% are aged 45 or older, giving the distribution two peaks. This bimodality corresponds to the two routes of entry — the traditional type, entering immediately after an MBA, and the accelerator type, entering after accumulating management experience (Section 3.4).

Figure 5 | Age at start of search (share)



N=35. Japan's median is 36, two to four years older than the US (32) and the rest of the world excl. US & Canada (34) (Stanford 2026 / IESE 2026)

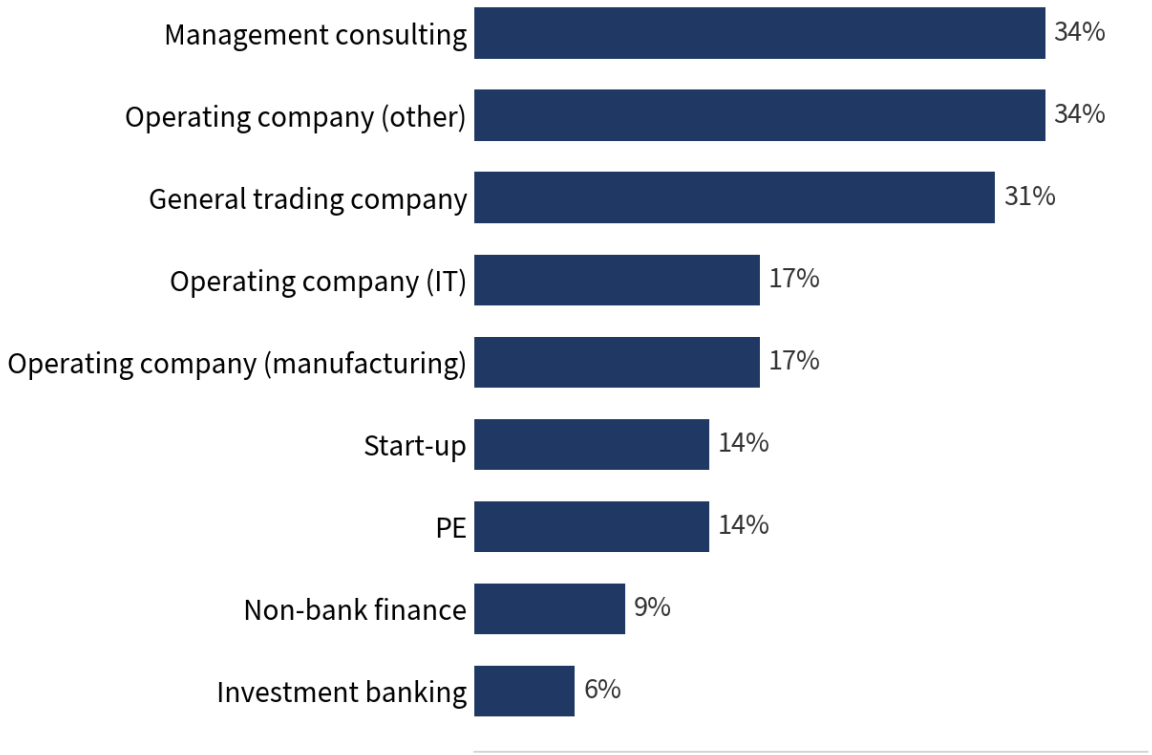
In international comparison, the age at launch (Japan 36, versus 32 in the United States and 34 in the rest of the world excluding the US and Canada) is notably high. The MBA share of 71% is in line with the international range of 60–80% (Appendix B). The share of women, however, is 3% (one person), far below the United States (14%) and the rest of the world (7%). Internationally, the share of women is on a rising trend (though not a linear one), and gender diversity among search fund entrepreneurs is a clear challenge for the growth of the industry in Japan. Internationally, too, the median age at launch has risen

by five years over the past decade, launches immediately after an MBA have declined, and entrants from private equity, operating companies, and prior entrepreneurship have increased (IESE 2026). The route common among Japan's accelerator-type entrepreneurs — entering after gaining management and operating experience in an operating company — points in the same direction as this international shift in terms of higher age and emphasis on experience, and the tendency is more pronounced in Japan.

3.2 Career background

The most common career backgrounds before the search are management consulting (34%), operating companies in other industries (34%), and general trading companies (31%), followed by operating companies in manufacturing (17%) and IT (17%), start-ups (14%), and private equity (14%) (Figure 6).

Figure 6 | Main career background before the search (multiple responses)



N=35, multiple responses

The prominence of consulting backgrounds is shared internationally, but Japan is distinctive in the small share from private equity and investment banking — the largest group in the United States — (PE 14%, investment banking 6% in this survey, multiple responses) and the large share from operating companies and general trading companies.

In their most recent position, 66% managed subordinates or a team, 46% held P&L responsibility, 46% managed or belonged to a sales team, 37% performed financial modeling, and 31% worked in M&A. Only 3% reported none of these; Japanese search fund entrepreneurs enter with a substantial amount of practical, management-related experience.

3.3 First contact with search funds

Fifty-seven percent have attended an educational program or study group on search funds or ETA. Educational institutions and communities are an important entry point for talent, while 43% entered without such exposure, suggesting diversification of routes. Attendance is strongly linked to holding an overseas MBA: 15 of the 20 overseas MBA holders had attended a program, compared with 5 of the other 15. By type, attendance is 75% for the traditional type and 47% for the accelerator type (Section 3.4), but among those without an overseas MBA it is lower than among overseas MBA holders (75%). If opportunities for ETA education expand within Japan, more people may choose the traditional type, the international standard.

3.4 Profiles by type: two different entrepreneur profiles

Japanese search fund entrepreneurs are not a single group. Viewed by fund type, two contrasting profiles emerge.

	Traditional (n=16)	Accelerator type (n=17)
Age at launch (median)	34.5	45
Overseas MBA	81%	35%
Main deal sourcing	M&A intermediaries plus proprietary sourcing	M&A intermediaries plus investor referrals (including regional banks)
Companies screened (mean)*	1,247 (median 300)	150 (median 82)
Time to first LOI (median)*	12 months	10 months
Number of search capital investors (median)	18	1 (single investor)
Legal structure (most common)*	Godo kaisha (90%)	Kabushiki kaisha (81%)
Based in Tokyo	94%	59%
Attended an educational program	75%	47%

* Companies screened, time to first LOI[8], and legal structure are based on those with search experience (traditional n=9–10, accelerator type n=16; time to first LOI based on those who signed one). Medians are shown alongside means because a small number of very large searches raise the mean.

[8] LOI (letter of intent): a statement of intent or basic agreement with the seller on the broad terms of the acquisition.

Figure 6-2 presents the differences side by side. From personal profile, deal sourcing, capital structure, and legal form to investor support after acquisition and assessment of the industry, the two types show consistently contrasting profiles.

Figure 6-2 Two ecosystems: contrasting entrepreneur profiles

Traditional type (n=16)		Accelerator type (n=17)
Median age 34.5; overseas MBA 81%	Entrepreneur profile	Median age 45; overseas MBA 35%
Tokyo 94%	Base	Tokyo 59% (41% outside Tokyo)
Intermediaries + proprietary sourcing (mean 1,247 screened)	Deal sourcing	Intermediaries + investor / bank referrals (mean 150 screened)
Dispersed, median 18 investors	Search capital	A single investor provides capital plus hands-on support
Godo kaisha 90% (LLC-equivalent)	Legal form	Kabushiki kaisha 81% (Japan's standard form)
Management autonomy 94%	Reason for choosing type	Investor support 65%; ease of fundraising 65%
None monthly or more (valid n=4)	Investor support	83% monthly or more (a third weekly or more)
"Active" most common (56%)	Assessment of industry	"Sluggish" most common (47%)

Descriptive comparison (cross-tabulation by type). Companies screened are means (medians: traditional 300, accelerator 82), based on those with search experience. Investor support based on post-acquisition CEOs (traditional valid n=4). Source: Search Funds Study in Japan 2026

The traditional-type entrepreneur — in the early thirties, typically with an overseas MBA, sourcing deals broadly on their own — is close to the international standard profile of a search fund entrepreneur (the median age at launch of 34.5 is roughly in line with 32 in the United States and 34 in the rest of the world excluding the US and Canada). The accelerator type, by contrast, spans a wider age range (median 45), only a third hold an overseas MBA, and they enter on the strength of practical experience, including P&L responsibility, built over a career, drawing on the referral networks of their hands-on investors; this is the mainstream route in Japan. Seventy-one percent held P&L responsibility in their most recent position (traditional type 19%), and the median interval between completing their highest degree and launching the fund is 14 years (traditional type 0.5 years), confirming from the data that this is entry after a long period of practical experience including P&L responsibility. The overall profile in Section 3.1 (age 36, MBA 71%) is a blend of these two groups and should not be read as a single “profile of the Japanese search fund entrepreneur.”

Geographic distribution deserves particular note. Whereas 94% of traditional-type entrepreneurs are based in Tokyo, 41% of accelerator-type entrepreneurs are based outside Tokyo. The deal-flow[9] analysis in Section 4.2 shows that high-frequency use of referrals from regional and major banks is also concentrated in the accelerator type (44% versus 10% for the traditional type), suggesting a pattern in which some regional-bank-affiliated search accelerators act as both a source of search fund entrepreneurs and a source of deals in their regions. The gap in attendance at educational programs (traditional type 75% versus accelerator type 47%) likewise reflects the difference in entry points:

[9] Sourcing / deal flow: the activity of identifying candidate companies for acquisition, and the channels through which such deals arrive.

business schools for the traditional type and investor-led recruitment for the accelerator type.

International comparison note: In the United States, the largest group of search fund entrepreneurs comes from private equity and investment banking (33% combined); outside the US and Canada, from consulting (22%). The 31% from general trading companies is a pattern specific to Japan in terms of industry of origin. Given that Japan's general trading companies have in recent years shifted toward an investment-company model centered on business investment and management participation, this can also be read as the Japanese expression of a global trend — the entry of people with investment and management experience — taking the form of the trading house. In the United States, partnered searches by two people account for 34%. In Japan, the matching exercise identified two partnered searches (pairs) among traditional funds (one in the operating phase and one searching), and interviews suggest that some accelerator investors require a co-participant ("buddy"). Partnered searching in Japan is at an embryonic stage (see Appendix B).

Key takeaways

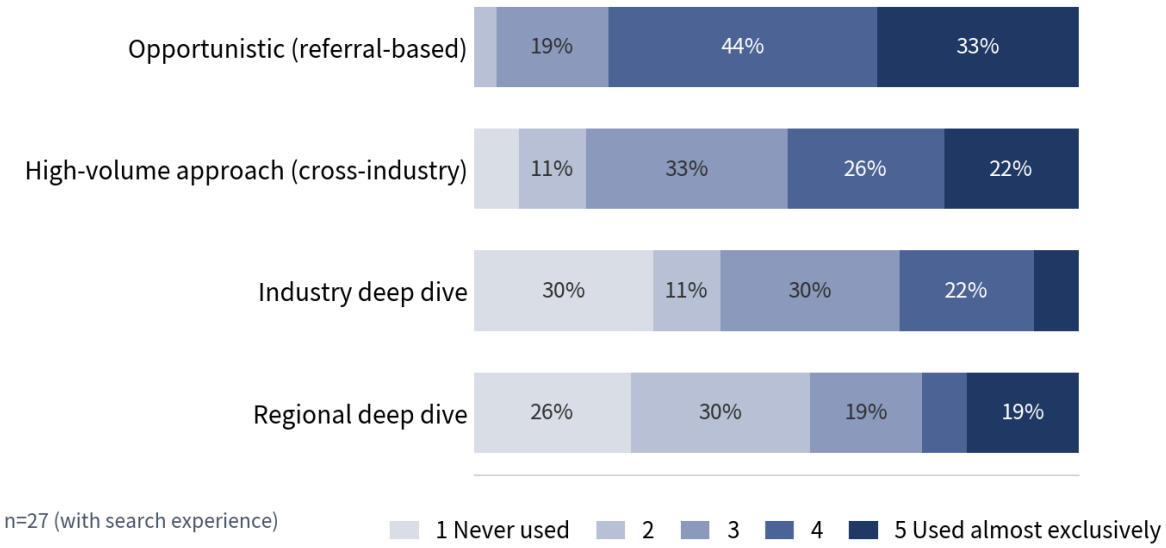
- There is no single entrepreneur profile: the traditional type launches upon completing an overseas MBA (median age at launch 34.5), while the accelerator type enters after a long period of practical experience, including P&L responsibility (median 45)
- The most common backgrounds are management consulting, operating companies, and general trading companies
- The share of women, at 3%, is far below international levels

Chapter 4 Search Activity and the Acquisition Process

4.1 Search strategy

This chapter examines search strategy and the acquisition process from the responses of the 27 entrepreneurs with search experience (9 searching, 17 acquired, and 1 former searcher). The most widely used strategy is opportunistic (referral-based), used at high frequency (4–5 on a 5-point scale) by 78% (mean 4.1, for reference). It is followed by the high-volume approach (48% at 4–5), while deep dives into specific industries or regions are relatively uncommon (Figure 7). The predominant style of search in Japan can be described as "casting a wide net and responding to referred deals." The broad, industry-agnostic stance is shared internationally: outside the US and Canada, only about four in ten searchers emphasize or commit to a specific industry (42%, 2024–25, IESE 2026). Internationally, however, proprietary search is the primary sourcing route (usage scores of 4.0 for proprietary search versus 3.3 for brokers in IESE 2026), which differs from Japan, where intermediaries are central (Section 4.2). By type, high-frequency use of the opportunistic approach is 90% for the traditional type and 69% for the accelerator type, and of the high-volume approach 60% and 38% respectively; the traditional type uses every strategy more intensively, taking an "all-directions" approach.

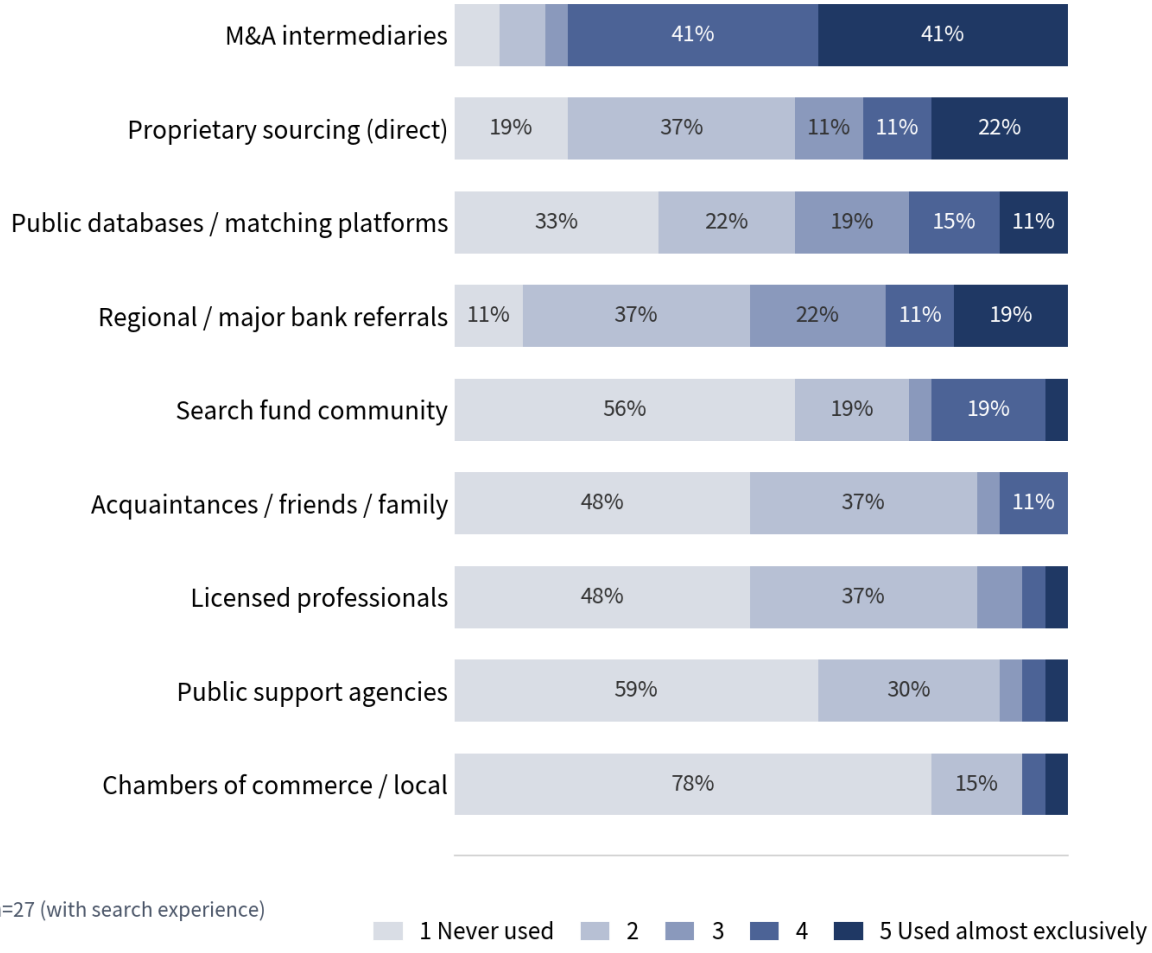
Figure 7 | Use of search strategies



4.2 Deal flow: intermediaries dominate, regional channels untapped

The dominant source of deals is M&A intermediaries, used at high frequency (4–5) by 81% (mean 4.0, for reference), followed by proprietary sourcing (33% at 4–5), referrals from regional and major banks (30%), and public databases and matching platforms (26%).

Figure 8 | Use of deal-flow sources



Common to both types is dependence on M&A intermediaries. High-frequency use reaches 90% for the traditional type and 75% for the accelerator type, making intermediaries the central sourcing route in Japanese searches. Because intermediated deals attract many competing bidders and carry substantial fees, this concentration is a challenge shared across the industry. Beyond that common base, the complementary channels differ by type. High-frequency use of proprietary sourcing is 60% for the traditional type but 12% for the accelerator type (75% use it at low frequency); conversely, referrals from regional and major banks are used at high frequency by 44% of the accelerator type, while 90% of the traditional type use them at low frequency. With intermediaries as the shared foundation, the traditional type opens up the market on its own, while the accelerator type draws in addition on the referral networks of its investors — regional-bank-affiliated search accelerators in particular (see the regional penetration mechanism in Section 3.4).

By contrast, the public infrastructure for business succession is hardly used at all. Fifty-nine percent have never used public support agencies, 48% have never used referrals from licensed professionals, and 78% have never used chambers of commerce or local community networks (Figure 8).

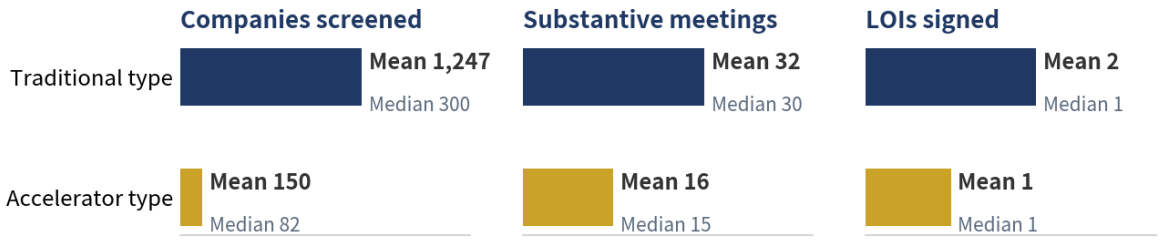
Based on the research team's interviews, two explanations for these untapped channels are suggested. First, the professional channel has large latent potential for deal referrals, but awareness of search funds among tax accounting firms is minimal, and raising awareness must come before the channel can function as a referral network. Second, chambers of commerce, junior chambers, and similar local communities could serve as a

sourcing channel, but business succession is an extremely sensitive subject, and raising the possibility of a sale to a third party or an M&A transaction requires time to build deep trust[10]. These channels, in other words, do not "open on connection"; they require an up-front investment in awareness and long-term relationship building. Changing this structure will depend on the endorsement of trusted institutions and on public awareness of the search fund concept itself — that is, on the formation of an ecosystem beyond the efforts of individual search fund entrepreneurs (see the discussion in Section 8.4 and the implications in Section 8.5).

4.3 The search funnel

Because the scale of the search differs greatly by fund type, the results are shown by type (Figure 9). Traditional-type entrepreneurs screened a mean of 1,247 companies (median 300, range 5–4,000) and met with a mean of 32 (median 30), casting a wide net and narrowing down. Accelerator-type entrepreneurs screened a mean of 150 (median 82) and met with a mean of 16 (median 15), a more targeted search, and their median time to first LOI of 10 months is slightly shorter than the traditional type's 12 months — reflecting, it appears, a pre-filtered flow of deals such as investor referrals. The median number of LOIs signed is one for both types; the difference lies in the route, between "seeing many to reach one" and "reaching one from a narrowed field." Medians are shown alongside means because a small number of very large searches raise the mean. Each value is calculated independently by type from actual responses and does not represent conversion rates within the same respondent. Five of the 27 entrepreneurs with search experience have not yet signed a first LOI (all are currently searching). In international comparison, searchers outside the US and Canada are reported to screen more than 3,000 companies and meet 159 owners on average (2022–23, IESE 2024); the Japanese traditional type (mean 1,247 screened, 32 met) searches on a smaller scale. The comparison is indicative, given differences in question definitions, but it appears to reflect the referral-centered sourcing route (Section 4.2).

Figure 9 | The search funnel (by type, mean and median)



Traditional n=9, accelerator n=16 (actual responses). Medians shown because a few very large searches raise the mean. Time to first LOI: traditional 12 months / accelerator 10 months (median). Each indicator calculated independently

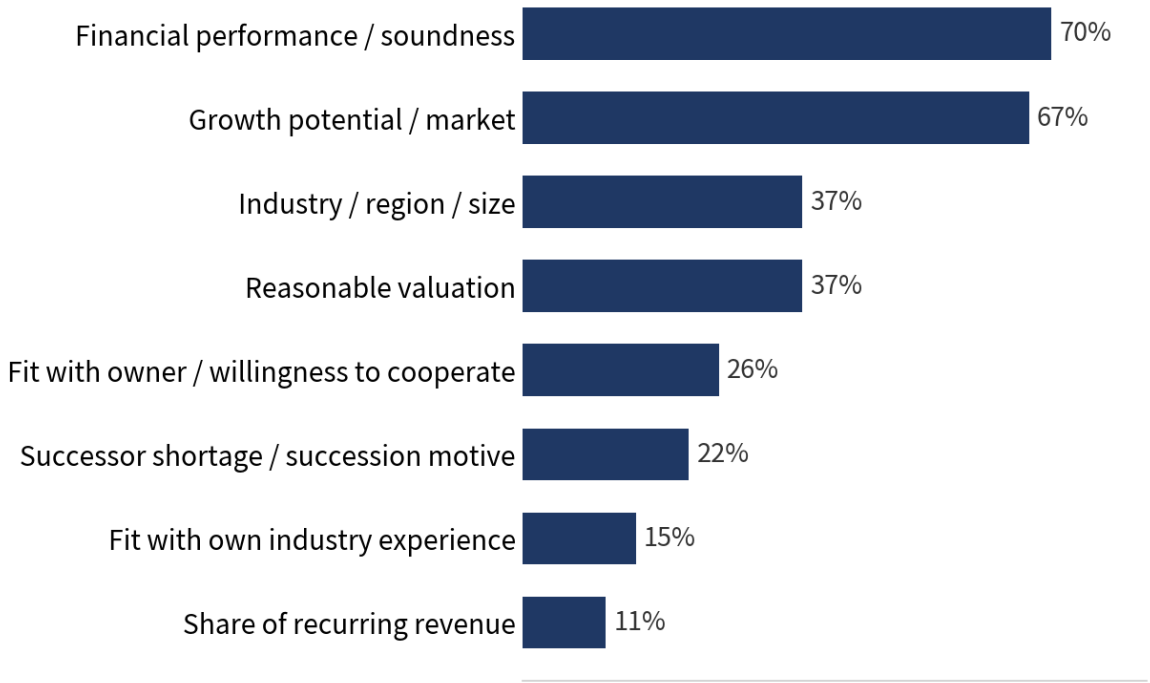
4.4 Deal selection and failed LOIs

The two criteria weighted most heavily in deal selection are financial performance and soundness (70%) and growth potential and market attractiveness (67%), followed by industry, region, and size (37%) and reasonableness of valuation (37%) (Figure 10). Only

[10] Qualitative information based on a limited number of interviews, not supported by aggregated data.

22% cite the degree of successor shortage; the axis of selection is the quality of the business, and the succession context is treated as a precondition.

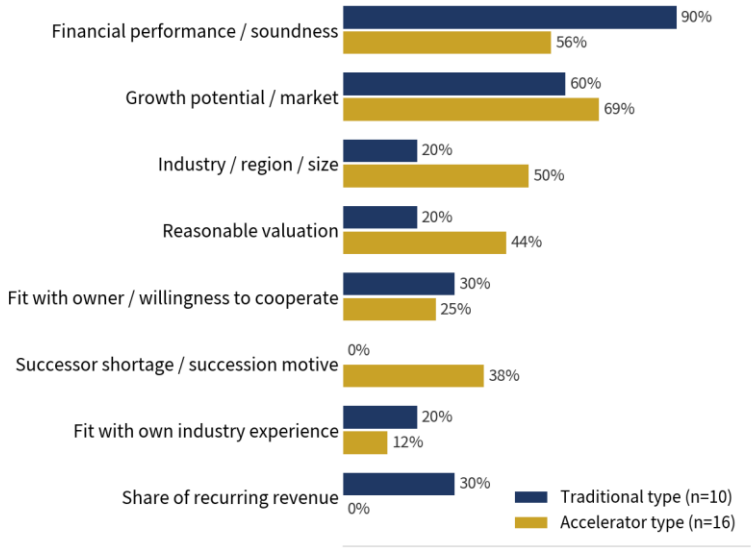
Figure 10 | Most important deal selection criteria (top 3)



n=27, multiple responses (up to 3)

The selection criteria differ by type (Figure 10-2). The traditional type (n=10) leads with financial performance and soundness (90%) and emphasizes the quality and durability of the business, such as compatibility with the owner and the share of recurring revenue (ongoing revenue from maintenance contracts, subscriptions, and the like) (30% each). The accelerator type (n=16), in addition to growth potential and market attractiveness (69%), industry, region, and size (50%), and reasonableness of valuation (44%), cites the degree of successor shortage at a notably higher rate (38%), building the succession context more explicitly into its selection criteria.

Figure 10-2 | Most important selection criteria (by type, top 3)



26 respondents of the two types with search experience; multiple responses (up to 3). No bar = not selected (successor shortage for traditional; recurring revenue for accelerator)

This difference appears to reflect the difference in search process between the two types. Because the traditional type must itself perform the initial filtering of a large flow of deals (a mean of 1,247 screened), including proprietary sourcing, the objective financial criterion of performance and soundness readily serves as the first screen. In addition, the traditional type, with an 81% overseas MBA share, can be interpreted as applying the globally standard evaluation criteria that emphasize recurring revenue and stable cash flow. For the accelerator type, the prominence of successor shortage as a selection criterion appears to reflect the objectives of investors — regional-bank-affiliated search accelerators in particular — who set out to address the business succession problem, carried through into the entrepreneur's deal selection. A similar indirect influence may operate on independent accelerators that receive capital from regional financial institutions, but this cannot be confirmed from the survey data.

Thirty-seven percent have experienced an LOI that did not lead to an acquisition, for reasons including the seller's withdrawal (15%), disagreement on valuation (15%), and the appearance of a competing bidder (7%); 63% reported no failed cases. This 63%, however, includes five entrepreneurs who have not yet reached a first LOI. Among the 21 who have signed an LOI (one did not answer), 10 (48%) have experienced a failure, so it is not unusual for a deal to fall through after an LOI is signed. The acquisition rate of 48% reported in the United States (the share of funds that started a search and went on to acquire, 2021–24 cohort, Stanford GSB "2026 Search Fund Study") is defined differently from this question (whether a failure was experienced after signing an LOI) and cannot be compared directly, but it indicates intensifying competition for deals in the United States. Japan's "63% with no failed cases" reflects the youth of the industry and a survivorship bias toward respondents who have completed an acquisition; a tougher competitive environment should be expected as the industry grows (Appendix B).

4.5 Profile of acquired companies

The profile of the 17 completed acquisitions is as follows (Figures 11 and 12). By industry, wholesale and retail (29%), services and IT (29%), and manufacturing (18%) predominate, with the remainder spread across healthcare and welfare, transport, construction, and real estate. By location, 53% are in the Greater Tokyo area (Tokyo,

Saitama, Chiba, and Kanagawa) and 47% outside it (Kansai 4, Fukuoka 3, Mie 1); Tokyo alone accounts for only 35%. By size, companies with 10–30 employees account for 35% and those with 50 or more for 29% (Figure 11). Sellers are founders (35%) and second-generation or later family owners (35%), so that owner-managers account for 70%; 79% of sellers are aged 55 or older and 36% are 65 or older (14 responses). Deals were sourced through M&A intermediaries in 59% of cases and through referrals from financial institutions in 24%.

Figure 11 | Profile of acquired companies (n=17)

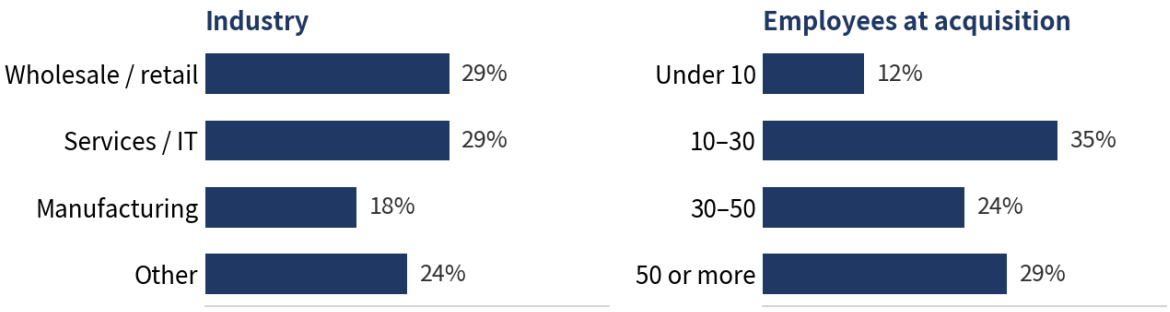
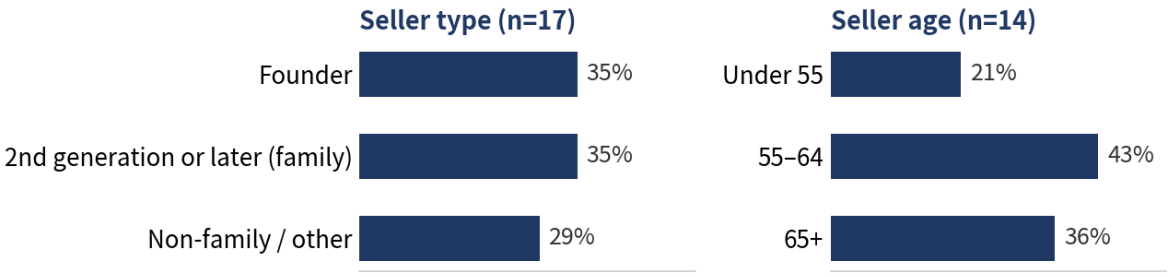


Figure 12 | Profile of sellers (former owners)



Median annual revenue at the time of acquisition is ¥885 million (approximately US$5.6 million; n=12, 29% missing), with most companies in the hundreds of millions of yen and the largest in the billions. In international comparison, acquired companies in Japan (10–30 employees for 35%) are somewhat smaller than in the United States (30–40 employees) and the rest of the world (median 50) (Appendix B).

Sixty-four percent used bank borrowing to finance the acquisition (9 of 14 responses); Japan's low interest rate environment and succession lending by financial institutions are an important foundation supporting acquisitions.

International comparison note: In the United States, the median time from the start of the search to completion of the acquisition is 20 months (a mean of 7 months to the first LOI; this is a different statistic from Japan's median of 10 months, so the comparison is indicative only). Intensifying competition for deals is a challenge shared worldwide (for acquisition rates, see Section 4.4). Outside the US and Canada, technology is the most common target industry (75%), in contrast to Japan's focus on wholesale, retail, and services (see Appendix B).

Key takeaways

- Deal sourcing is concentrated in M&A intermediaries, and the public infrastructure for business succession is untapped
- The traditional type casts a wide net and narrows down, while the accelerator type selects from a field narrowed by investor referrals
- Acquired companies are mainly succession businesses with 10–30 employees; 47% are outside the Greater Tokyo area, and 64% of acquisitions used bank borrowing

Chapter 5 Management and Value Creation

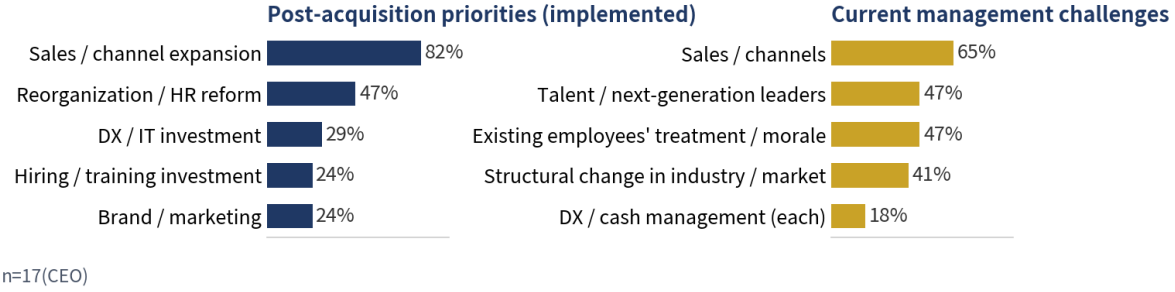
5.1 Current state of management

This chapter examines the current state and challenges of post-acquisition management from the responses of the 17 CEOs who have completed an acquisition. Headcount at the most recent fiscal year-end has a median of 37.5 (n=16), ranging from a handful of employees to several hundred. Annual revenue for the most recent fiscal year has a median of ¥885 million (approximately US$5.6 million; n=12, 29% missing), with most companies in the hundreds of millions of yen and the largest in the billions (this is the same value as revenue at the time of acquisition in Section 4.5; the two are medians of 12 responses to separate questions that happen to coincide, as confirmed against the source data). The share of recurring revenue is reported as “largely unchanged” by 35%, “increased” by 29%, and “not a recurring-revenue business” by 18%, indicating that the transformation of revenue structure after acquisition is still under way.

5.2 Post-acquisition priorities and management challenges

The top post-acquisition priority is strengthening sales and expanding channels (82%), followed by organizational restructuring and HR reform (47%) and digital transformation and IT investment (29%). The focus on top-line growth is pronounced: the basic form of value creation in Japanese search fund management is growth-oriented rather than cost-cutting. Current management challenges are led by strengthening sales channels (65%), followed by securing talent and developing the next generation of leaders, and the treatment and motivation of existing employees (47% each), and responding to structural change in the industry and market (41%) (Figure 13). Only 6% (one CEO) ranked “the relationship with the former owner” among their top three challenges. This figure, however, indicates relative priority compared with other challenges and does not mean that friction is rare. In qualitative interviews with industry participants, difficulties arising from the relationship with the former owner after succession were mentioned repeatedly; this is an issue that a multiple-choice survey captures poorly and that future editions should explore in depth.

Figure 13 | Post-acquisition priorities and current challenges (top 5 each, top 3 selected)



n=17(CEO)

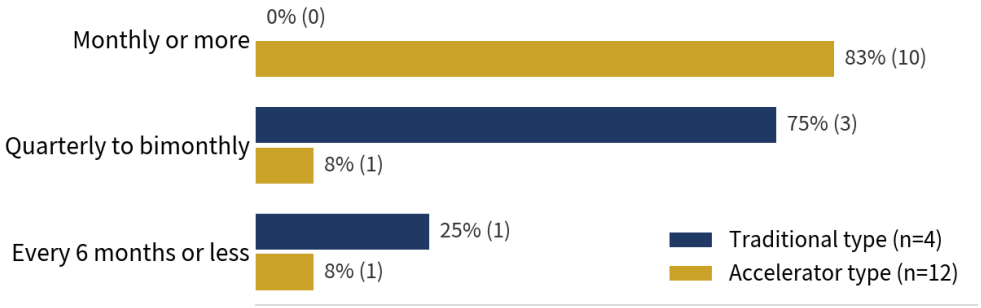
5.3 Transition from the former owner

The transition period ranges widely from immediate retirement to continued involvement for two years or more (n=16). The form of involvement is complete retirement in 47% of cases, continuation as a director in 24%, and an advisory role in 18%; in roughly half of cases the former owner remains in some capacity. The multiple-choice survey does not identify transition problems as a major challenge (one CEO, or 6%, ranked "the relationship with the former owner" among the top three), but as noted in Section 5.2, qualitative interviews reported difficulties arising from the post-succession relationship, and further verification is needed before concluding that transitions are smooth. The process by which the new owner-manager takes over authority from the predecessor and establishes his or her own leadership is a major concern of the industry overseas as well; the IESE international conference includes a session on the development of post-acquisition CEOs (Section 8.5).

5.4 Hands-on support from investors

The frequency of investor support ranges widely, from weekly or more to once every six months or less (n=16), but the difference by type is large (Figure 13-2). Eighty-three percent of accelerator-type CEOs (n=12) receive high-frequency support at least monthly (a third of them weekly or more), whereas none of the traditional-type CEOs (valid n=4) receive support as often as monthly (three bimonthly to quarterly, one every six months or less). The difference in design philosophy — a single investor providing hands-on support in the accelerator type versus dispersed investors respecting management autonomy in the traditional type — is reflected directly in the style of post-acquisition support.

Figure 13-2 | Frequency of investor support (by type, post-acquisition CEOs)



Monthly or more = weekly or more + less than weekly to twice a month + monthly. One traditional-type respondent declined to answer

International comparison note: On post-acquisition metrics, acquired companies in Japan most commonly had 10–30 employees at acquisition (most recent median 37.5), close to the United States (30–40) and somewhat smaller than the rest of the world excluding the US and Canada (median 50) (indicative comparison). For the most recent US cohort (2024–25), a median EBITDA at acquisition of US$2.5M and an EBITDA multiple of 6.2x are reported (median purchase price of US$13.5M and 6.3x for all cohorts), suggesting that acquired companies in Japan are a size class smaller than in the United States (see Appendix B).

Key takeaways

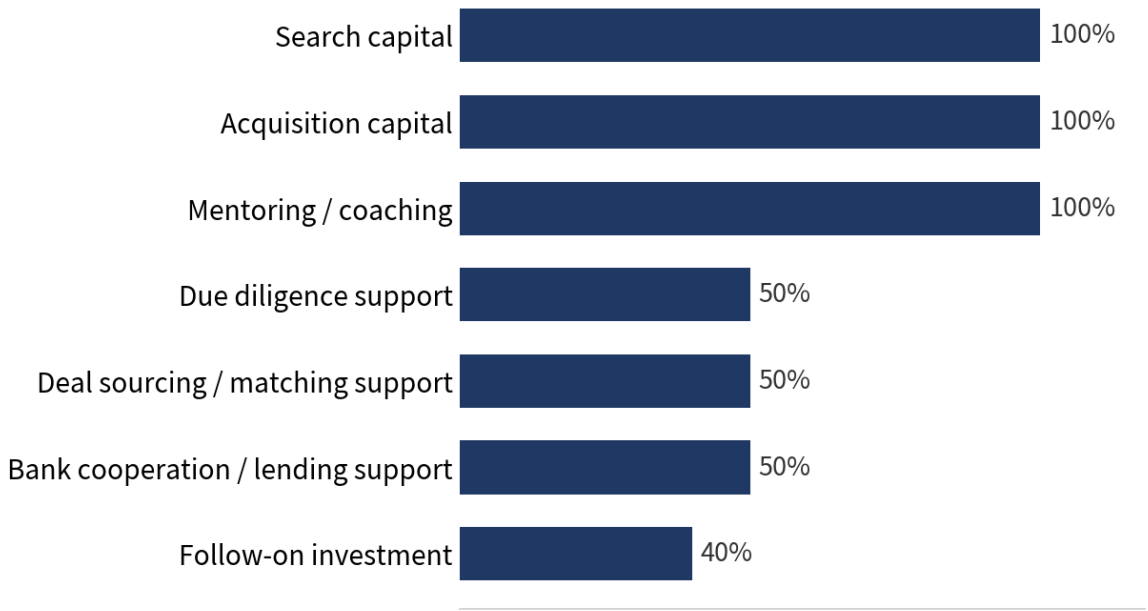
- Post-acquisition management is growth-oriented, centered on strengthening sales and expanding channels; the main challenges are likewise sales channels and talent
- The former owner remains in some capacity in roughly half of cases
- The frequency of investor support differs sharply by type: 83% of accelerator-type CEOs receive hands-on support at least monthly

Chapter 6 The Investor Perspective

6.1 Who the investors are

This chapter is based on the responses of 10 investors (Form B): six traditional search fund investors (LPs) and four search accelerators. Their organizations range from independent individual investors to dedicated investment firms, private equity and venture capital funds, regional-bank affiliates, and corporate investors. Most are based in the Greater Tokyo area, but 90% describe their investment scope as “nationwide.” All 10 provide both search capital and acquisition capital together with mentoring; the combined provision of capital and hands-on support is the standard form among Japanese investors (Figure 14). Because the sample is small, this chapter is written at a level of detail that does not identify individual organizations or persons (see Appendix A for methodology).

Figure 14 | Capital and support provided by investors (multiple responses)

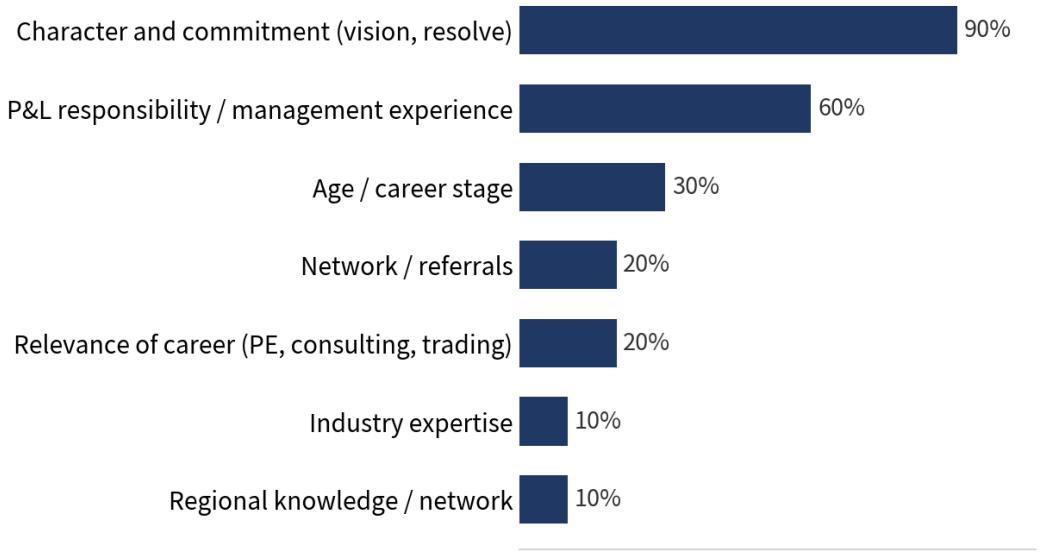


N=10 (investors). Plus 2 "other" responses

6.2 Investment decisions: character and commitment come first

In evaluating prospective search fund entrepreneurs, the criteria weighted most heavily are character and commitment (vision and resolve), cited by 90%, and P&L responsibility and management experience (60%). No respondent ranked academic background or an MBA among the top three (Figure 15). The weight given to management experience, second only to character and commitment, appears to reflect investors’ concern that the quality of management after succession largely determines the growth of the business.

Figure 15 | Most important criteria in evaluating prospective entrepreneurs (top 3)



N=10 (investors). No respondent ranked academic background / MBA in the top three

Investment pipelines are built mainly through referrals from existing search fund entrepreneurs (80%) and through industry communities and the web (50% each). The time required for an investment decision is split evenly among less than one month, one to three months, and three to six months (30% each).

For industry, region, and size of target companies, the predominant answer is “no restriction” (90% say “nationwide” for region); decisions are made case by case on the basis of the deal and the person. Among non-financial characteristics emphasized (multiple responses), respondents cited the clarity of the owner’s motivation for succession (50%), a high share of recurring revenue (50%), and being a typical case of successor shortage (30%).

6.3 Signals of CEO readiness

CEO readiness refers to how well prepared a prospective search fund entrepreneur is to run a company as CEO after the acquisition (the questionnaire used the same term). The foremost signal by which investors judge that a candidate is “ready to be an owner-manager” is the volume and quality of action (80%), followed by a sense of responsibility toward stakeholders (50%), depth of reflection and ability to articulate, and breadth of relationship building (40% each), and attitude toward irreversible decisions (30%). The emphasis is clearly on behavior and inner maturity rather than on credentials (Figure 16).

Figure 16 | Signals used to judge CEO readiness (up to 3)



N=10 (investors)

Key takeaways

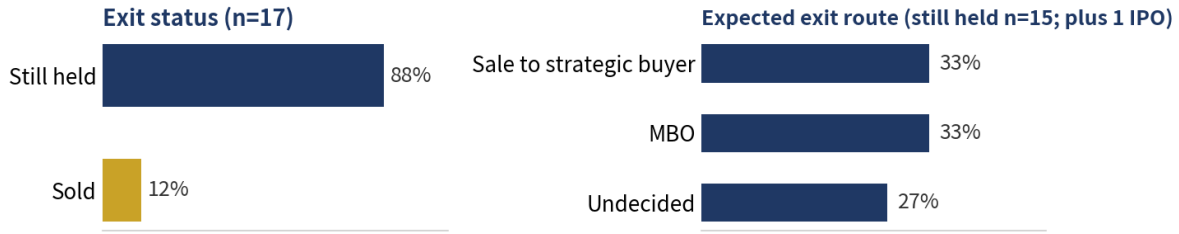
- All 10 investors provide capital and hands-on support as a package
- The evaluation criteria are character and commitment (90%) and management experience (60%); no investor ranked academic background or an MBA among the top criteria
- CEO readiness is judged by the volume and quality of action (80%)

Chapter 7 Exit Trends and the Industry Outlook

7.1 Exit trends: an industry on the eve of exits

This chapter examines the current state of exits and the industry outlook from the exit-related questions in Form A (17 acquisitions) and the responses of the 10 investors in Form B. On the entrepreneur side, 88% of the 17 acquired companies are still held and 12% (two) have been sold. On the investor side, six of nine respondents (67%) have no exit track record, and dividend payments by entrepreneurs are limited, with 11 of 12 respondents paying no dividends. Among CEOs still holding their companies, the expected exit routes are evenly split between sale to a strategic buyer (33%) and management buyout (33%), with 27% undecided and 7% expecting an IPO (Figure 17).

Figure 17 | Exit status and expected exit routes

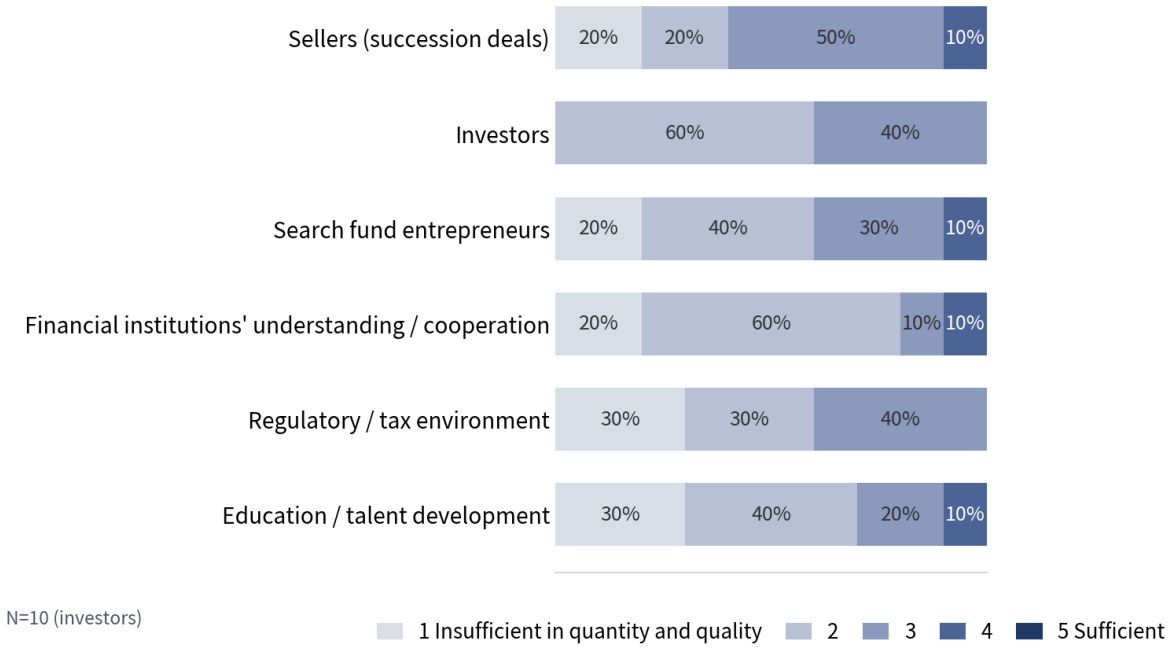


The median year of acquisition for the 15 companies still held is 2024, and 70% were acquired in 2024 or later. Applying a standard holding period of five to seven years, 12–13 of the 15 would exit between 2027 and 2032, and Japan's first cohort of exits is expected to materialize in this period. Returns have yet to be demonstrated, and it should be borne in mind that current assessments of the industry rest on "increased activity" rather than on "a track record of realized returns." No case of substantial capital loss was identified in the entrepreneur responses, while a small number of loss-making cases were reported on the investor side (details withheld as n<3). Given the survey's thin coverage of former searchers, including the one case of withdrawal during the search, the loss side of the picture has not yet been adequately observed (survivorship bias; see limitation ① in Appendix A).

7.2 Investors' view: a growing market, lagging infrastructure

Eighty percent of investors rate the change in the industry over the past three years as "expanding" (4–5), and 70% expect expansion over the next three to five years. Their assessment of the supporting infrastructure, however, is severe: understanding and cooperation from financial institutions (80% rate it 1–2), education and talent development (70% at 1–2), and the regulatory and tax environment (60% at 1–2) lead the list, and a sense of insufficiency is expressed for every category of player (mean 2.1 in each case, for reference; Figure 18).

Figure 18 | Investors' assessment of each category of player



"The market is growing, but the infrastructure of participants is not keeping pace" is the investors' shared view. Their assessment of the search fund entrepreneur pipeline (the supply of prospective entrepreneurs) is near neutral at 3.1 for quality and 3.2 for quantity, while their assessment of business succession deals (the seller side) is slightly below neutral at 2.7 for quality and 3.0 for quantity. The latter reflects the industry's current position: "the deals should be there, but they are not yet sufficiently visible."

International comparison note: In the United States, with four decades of history, an aggregate IRR of 33.9% and a return on investment of 4.75x have been recorded. Outside the US and Canada, returns have risen to 2.8x and an IRR of 30% (from 2.0x and 18% in the 2024 study) as exits increase and holding periods lengthen, and the asset class is showing signs of maturing, albeit with downside risk — 21% of acquired companies have lost money (IESE 2026). Japan is precisely at the stage where returns have yet to be demonstrated (see Appendix B).

Key takeaways

- Eighty-eight percent of the 17 acquired companies are still held, and the first cohort of exits is expected between 2027 and 2032
- Investors see the market expanding, but rate cooperation with financial institutions, education, and the regulatory environment as the infrastructure most lacking
- Returns have yet to be demonstrated

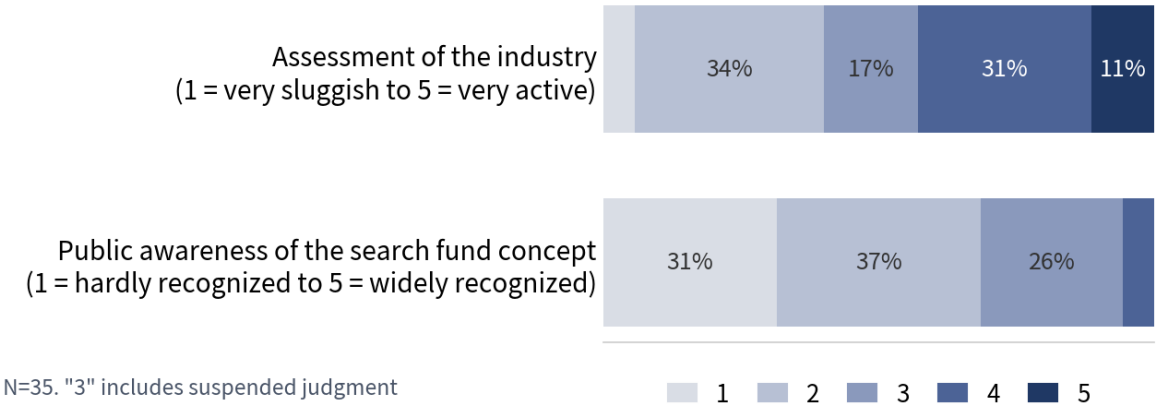
Chapter 8 Assessment, Discussion, and Implications

8.1 Assessment of the industry: divided participants, low public awareness

This chapter presents participants' assessments of the current state of the industry (Sections 8.1–8.3), followed by the research team's discussion (Section 8.4) and implications for the industry (Section 8.5). Entrepreneurs' assessment of the industry averages 3.1 on a 5-point scale, but the distribution is almost evenly split between "active" (4–5, 43%) and "sluggish" (1–2, 40%). This split reflects a difference in sentiment between the two types: "active" is the most common response among traditional-type entrepreneurs (56%), whereas "sluggish" is the most common among accelerator-type entrepreneurs (47%). Because 70% of accelerator-type respondents have already completed an acquisition, the gap could reflect whether respondents know the "post-acquisition reality"; but the difference persists even when the comparison is restricted to post-acquisition CEOs (of 12 accelerator-type CEOs, 7 say "sluggish" and 4 "active"; of 5 traditional-type CEOs, 1 says "sluggish" and 3 "active"). The landscape may look different to traditional-type entrepreneurs, who are connected to the international standard and witness the expansion of the investor base, and to accelerator-type entrepreneurs, who confront the difficulties of deal sourcing and hands-on support in the regions; given the small numbers, however, this remains a hypothesis.

Public awareness of the search fund concept is rated 1–2 by 69% of entrepreneurs, and none consider it "widely and accurately recognized" (Figure 19). Among investors, 70% say the concept is "spreading, but often misused," so that both the quality and the extent of awareness are challenges. A search fund properly denotes a staged mechanism in which ① investors first provide search capital, ② a prospective owner-manager uses that capital to find an acquisition target, ③ the same investors provide acquisition capital once a target is identified, and ④ hands-on support continues after the acquisition. "Misuse" here refers to arrangements that lack some of these elements — for example, an ordinary intermediated M&A deal or a one-off acquisition support without search-phase funding or hands-on support — being described as a "search fund" (a summary based on the free-text responses of investors and entrepreneurs and on interviews with industry participants).

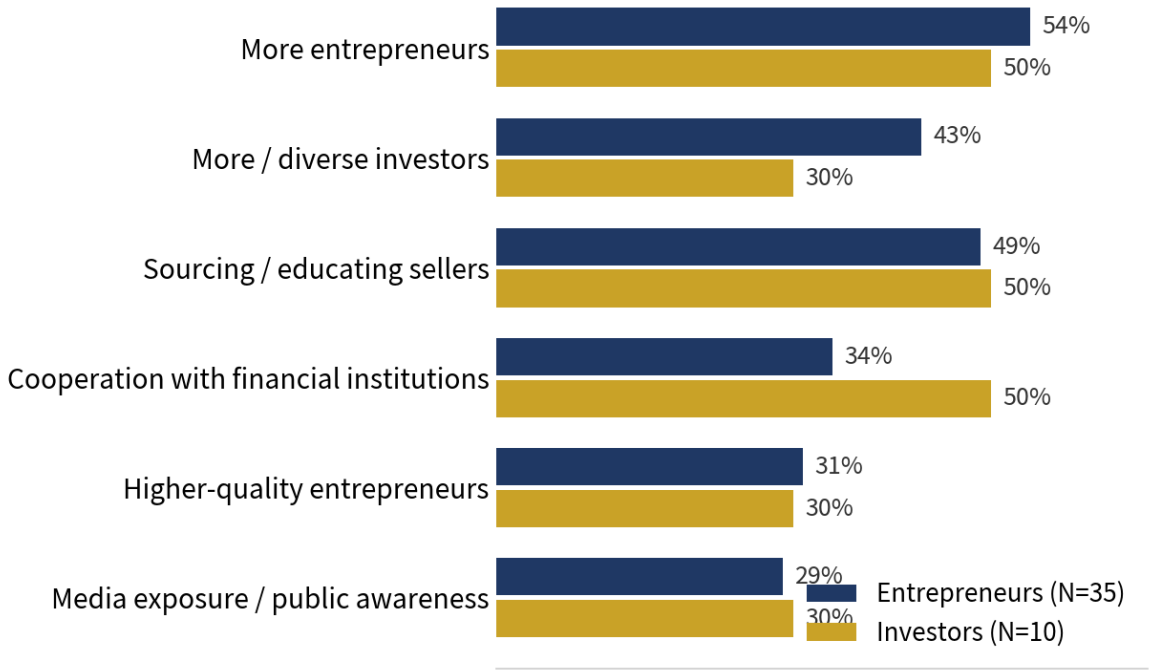
Figure 19 | Assessment of the industry and public awareness (entrepreneurs)



8.2 What the industry needs to grow: entrepreneurs' and investors' views

Expanding the pool of prospective search fund entrepreneurs is the top priority shared by both groups (Figure 20). Investors place more weight on cooperation with financial institutions, while entrepreneurs call for a more diverse investor base; expectations for the two engines of capital supply cross over.

Figure 20 | What the industry needs to grow (top 3)



8.3 How participants would like the industry to grow (free text)

The free-text responses (valid responses: 33 entrepreneurs and 8 investors) were coded jointly by the principal investigators into six themes (multiple themes per response permitted).

Main themes (number of responses): ① expansion and diversification of the entrepreneur pool (19); ② priority on demonstrating success cases (17); ③ spread of awareness and understanding (13); ④ development of the ecosystem and institutions (12); ⑤ contribution to regional and business succession challenges (7); ⑥ acceptance of diverse types and definitions (7)

The most frequent theme, expansion and diversification of the entrepreneur pool, matches the result of the multiple-choice question in Section 8.2. What stands out is a cautious view of growth — "demonstrating success cases should take priority over rapid expansion" — voiced repeatedly by both entrepreneurs and investors, confirming the self-image of an industry on the eve of exits. A number of responses also affirm the coexistence of diverse types, traditional and accelerator among them (70% of investors likewise expect the market in five years to consist of "distinct models coexisting"), indicating that the dual structure of the Japanese market is accepted by its participants.

Voices of participants (excerpts, anonymized):

- "Accumulating success cases should take priority over rapid expansion." (entrepreneur)
- "I hope this becomes a new career option for the entrepreneurial, high-performing employees inside large corporations." (entrepreneur)
- "That the resistance of sellers and financial institutions to people in their twenties and thirties, without management or investment experience, running a company has been overcome." (entrepreneur)
- "Rather than spreading as a passing boom, the ideal is for it to take root steadily in society as 'a new form of entrepreneurship that raises corporate value through business succession.'" (investor)

8.4 Discussion: the formation of a Japanese ecosystem

This section presents the research team's interpretation, reading across the descriptive statistics of the preceding chapters. The extent of support in the data is stated explicitly, and inferences not directly supported by the data are identified as such. Four points are discussed.

(1) Complementarity between two ecosystems (quantitative growth and the setting of direction). The dual structure revealed by this survey (Key Finding 2) can be read not merely as the coexistence of two models but as a complementary relationship with a division of roles. Quantitative growth is driven by the accelerator type (34 versus 20 in the known population, Section 2.2). The traditional type, meanwhile, can be interpreted as having a strong presence in connecting the industry to the international standard and in shaping its direction and culture. The 75% attendance at educational programs (accelerator type 47%), the 56% citing "conformity with the international standard" as a reason for choosing the type, and the predominance of "active" assessments of the industry (56%) are consistent with the traditional type functioning as a node connecting the industry to the international body of knowledge and community. No question, however, asked directly which type is leading the industry; this division of roles is an interpretation based on indirect indicators and a hypothesis to be tested in future editions. That 70% of investors expect the market in five years to consist of "distinct models coexisting" (Section 8.3), and that a number of free-text responses affirm the diversity of types (7 responses, theme ⑥ in Section 8.3), suggests that participants themselves accept this complementary relationship.

(2) The distinctive role of regional banks in Japan. The overall picture of an ecosystem in which the two routes meet at "business succession" is presented in Figure ES-1 (Executive Summary). The search fund in the United States developed as a two-party model — prospective owner-manager and investor — and the survey frameworks of Stanford and IESE include no actor corresponding to a regional financial institution. In Japan, by contrast, one of the distinctive phenomena observed is that regional banks (and their affiliated investment companies) play multiple roles within the ecosystem.

The data support this at four points: ① regional banks and their affiliated investment companies account for 26% of sources of search capital (Section 2.2); ② in accelerator-type deal sourcing, 44% make high-frequency use of referrals from regional and major banks (traditional type 10%, Section 4.2); ③ 64% of acquisitions used bank borrowing (Section 4.5); and ④ the infrastructure that investors rate as most lacking is

understanding and cooperation from financial institutions (80% rate it low, Section 7.2). Regional banks, in other words, are players that can bring together deal supply, talent identification, capital, and hands-on support on the foundation of their relationships of trust with regional companies.

At present, however, this development depends heavily on a few pioneering regional banking groups and has not spread across regional banks as a whole. The data presented here are more accurately read as a leading example showing that regional banks *can* play this role. The pattern in which some regional-bank-affiliated search accelerators act as both a source of search fund entrepreneurs and a source of deals in their regions (Section 3.4) is a development specific to Japan and not seen in overseas studies, and whether it spreads to regional financial institutions nationwide may well be the watershed that determines whether the search fund can develop from "an initiative of a few specialists" into "an infrastructure for producing owner-managers in regional economies." Why, and under what conditions, regional banks can play this role, and whether the leading examples can be replicated by other regional financial institutions, are questions whose full answers remain for future work; this report intends to pursue them through its biennial observations.

(3) Adaptive evolution rather than importation. Taken together, the evidence suggests that Japan has not simply imported the US model but has begun to form a search fund model of its own, adapted to its institutions and culture and to the social challenge of business succession. The traces of adaptation appear throughout the data. Legal structures divide almost completely by type (godo kaisha for 90% of traditional funds, kabushiki kaisha for 81% of accelerator-type funds, Section 2.3); the entrepreneur population is older because the accelerator type, entering after a long period of practical experience including P&L responsibility, is the mainstream (median age at launch 36, Sections 3.1 and 3.4); the share citing successor shortage — the succession context — as a selection criterion is high for the accelerator type (38% versus 0% for the traditional type, Section 4.4); and some regional banks participate in the ecosystem (previous point).

This picture also resonates with developments internationally. Stanford's revised practitioner guide, the 2026 Primer on Search Funds[11], deliberately refrains from covering the diversified derivative models and reorganizes practice around the traditional type. The IESE international study (2026 edition) likewise excludes derivative models such as self-funded searches and search accelerators from its tabulations, while noting the emergence of new forms such as long-duration enterprises. These are responses to a situation in which many variants are spreading under the name "search fund," and they parallel Japan's situation, where the transformation of the model and the diffusion of the term proceed side by side (Section 8.1). At the same time, new launches outside the US and Canada exceeded those in the US and Canada for the first time in 2025, and first funds were launched in Asian markets including Taiwan, Singapore, and Thailand in 2024–25. In Europe, adaptation to each country's business succession environment is progressing, and the launch of Sweden's first traditional search fund was reported in August 2026[12]. Worldwide, the consolidation of the standard form and adaptation to national environments are proceeding simultaneously.

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[11] Kelly, Ng, Latypov & Makinen, "A Primer on Search Funds: A Practical Guide for Entrepreneurs Embarking on a Search Fund," Stanford GSB, Case E958, 2026 (69 pages).

[12] Search Funds News, "Norrsund Investments marks the launch of Sweden's first traditional SF" (18 August 2026).

(4) Japan's position in international comparison

Four points about Japan's position can be drawn from the international comparison in Appendix B. First, the size of acquired companies is close to that in the United States itself. The US median is 30 employees; the most common size in Japan is 10–30, smaller than the international median of 50 (excluding the US and Canada). In its orientation toward the succession of small companies, Japan is in fact close to the original US image of the search fund. Second, bank borrowing is an important source of financing in Japan as well. Sixty-four percent of acquisitions used bank borrowing, and the involvement of regional financial institutions (previous point) supports the supply of debt. IESE 2026 shows that in Latin America, where debt is scarce, investors' equity share is 16 points higher than in Europe (62% versus 46%), but this is a different indicator from the one in this survey (the share of deals using borrowing), so an international comparison of debt-to-equity structure remains a subject for future work. Third, competition for deals is a challenge shared worldwide. The US acquisition rate has fallen to 48% (most recent cohort); in Japan, 48% of those who have signed an LOI have experienced a failed deal (Section 4.4), and the overall figure of "63% with no failed cases" reflects the youth of the industry and survivorship bias, so that still tougher competition should be expected. Fourth, partnered searches and the share of women are areas of potential for Japan. In the United States, partnered searches by two people have grown to a third of the total, whereas only two pairs have been confirmed in Japan. The gap in the share of women (3% in Japan versus 14% in the US and 7% internationally) is a concrete issue for expanding the candidate pool (Section 8.5).

8.5 Implications for the industry

Drawing on the results and discussion above, this section sets out practical implications for each of the principal groups involved in the industry (the corresponding Key Findings are given in parentheses).

For search fund entrepreneurs and prospective entrepreneurs (KF1, 2)

Two routes of entry are established. For those who prioritize management autonomy, the traditional type with dispersed fundraising; for those who value hands-on support and ease of fundraising, the accelerator type. As the data on motives (Section 2.2) show, the two are vehicles serving different needs. The profile of those who have gone before differs by route (Section 3.4), and neither an MBA nor youth is a prerequisite (investors look at character, commitment, and the volume of action rather than credentials, Sections 6.2–6.3). Note that "63% with no failed LOI" is an overall figure including those who have not yet signed an LOI; among those who have, 48% have experienced a failure (Section 4.4). As trends in the United States show, competition for deals is intensifying (Section 4.4), and if deal sourcing in Japan remains concentrated in M&A intermediaries (Section 4.2), many searchers will be chasing the same deals. In view of this, a distinctive search strategy that sources deals independently of intermediaries will be the most important differentiator for a search fund entrepreneur.

For investors (KF4, 5)

The evaluation criteria centered on character and commitment (Section 6.2) are becoming established; the next challenge for the industry is to demonstrate exits. To turn the first cohort of exits expected from 2027 into a foundation of trust in the industry, the

groundwork for case studies and data accumulation should begin now. Data on losses and withdrawals have not yet been adequately observed (Section 7.1), and the sound development of the industry requires the sharing of information on both successes and failures. In addition, given the spreading misuse of the term “search fund” (Section 8.1), investors have a role to play in promoting correct understanding through accurate, data-based communication.

For industry associations and communities (KF4, 5)

Post-acquisition management involves many challenges that are difficult to generalize or learn in the classroom — building a relationship with the former owner immediately after succession, the treatment of existing employees, and the prioritization and pace of reform (Section 5.4). Opportunities for post-acquisition CEOs to share experiences of success and failure in a closed setting will become an increasingly valuable store of knowledge for the industry as cases accumulate. On the investor side, too, building knowledge on how to engage with post-acquisition CEOs and on governance is a task for the future (Figure 13-2). Overseas, educational institutions such as Stanford and IESE have taken on the systematization of cases, and trusted educational institutions in Japan are expected to play a similar role. At the 7th International Search Fund Conference held by IESE in October 2026, sessions were devoted — alongside data on investment performance — to the contractual terms between investors and searchers, options for post-acquisition CEO liquidity, the CEO Leadership Journey, and lessons from private equity governance practices; the development of post-acquisition CEOs and the design of the investor–CEO relationship are becoming common issues for the industry internationally[13]. The systematization of the process by which a successor CEO moves to his or her own management style while inheriting the trust, culture, and tacit knowledge of the existing organization is likely to be an issue that shapes the future growth of the market.

For regional financial institutions (KF2, 3)

With 64% of acquisitions using bank borrowing, financial institutions already play an important role on the financing side. At the same time, the infrastructure that investors rate as most lacking is understanding and cooperation from financial institutions (80% rate it low). Standardizing search fund lending and developing staff able to assess such deals are the immediate tasks, but more broadly, the regional-bank-affiliated search accelerator — a model specific to Japan (Section 8.4) — could become a new line of regional banking business that brings together succession deals, management talent, and capital in the region.

For universities and educational institutions (KF1, 5)

Fifty-seven percent of search fund entrepreneurs entered through an educational program or study group, making educational institutions the principal source of the talent pipeline. Education and talent development are among the infrastructure that investors rate as most lacking (70% rate it low), and there is an urgent need to multiply the routes by which talent flows in from business schools, corporations, and financial institutions and to expand ETA education. Furthermore, the development of the industry requires that the

[13] Based on the official program of the 7th International Search Fund Conference, IESE Business School (15–16 October 2026, Barcelona). This describes the session structure only; the content of the discussions was not consulted.

credibility of the search fund model itself be secured — the dissemination of an accurate concept, verification based on data and research, and assurance of the quality of education for its practitioners — a role that only educational institutions with neutrality and trust can fulfill. Raising the share of women from 3% (14% in the US) is also a concrete issue for expanding the candidate pool that calls for action from the educational stage onward.

For policymakers and public institutions (KF3, 5)

The public infrastructure for business succession — public support agencies, licensed professionals, and chambers of commerce — is hardly used by search fund entrepreneurs in deal sourcing (Section 4.2). Connecting these untapped channels would directly broaden the base of succession deals, but as the experience of participants shows, raising awareness among licensed professionals and building long-term trust in local communities are preconditions, so this should be designed as a medium-term investment rather than a quick fix. Investors also point to deficiencies in the regulatory and tax environment (60% rate it low), and public communication and institutional support are expected to foster accurate recognition of the search fund as a means of addressing the successor shortage. Clarification of the tax treatment of the acquisition structures particular to search funds is likewise an institutional issue for an industry approaching its exit phase (Section 2.3).

Key takeaways

- Participants are divided in their assessment of the industry, and public awareness is low
- The Japanese search fund is not an import of the US model but is in the course of adaptive evolution, characterized by two routes of entry and the involvement of regional banks
- The implications for each group converge on expanding the candidate pool, demonstrating exits, cooperation with financial institutions, education, and connecting the public infrastructure

APPENDIX A

Tabulation Policy and Limitations of the Survey

Treatment of monetary data: Because not every respondent answered every question, tabulations use the number of respondents who actually answered each question (N) as the denominator. Non-response is particularly high for monetary questions such as purchase price and compensation; questions with more than 30% non-response are not reported, because the respondent base is too skewed to be interpreted as representative of the market as a whole.

Reporting of scale questions: Five-point scales are described primarily in terms of frequency distributions, with means treated as reference information (because the neutral value "3" includes suspended judgment).

Protection of anonymity: Small cells (n<3) are combined or suppressed, and investors (N=10) are described only at a level of detail that does not identify individual organizations. Cross-tabulations of acquired-company attributes by type are likewise not reported for the same reason.

Limitations of the survey: ① Most respondents are searchers who are still active or who have succeeded in acquiring a company. Only one respondent is a former searcher who withdrew without acquiring, so the results may understate the reality of withdrawal and failure (survivorship bias). ② Because the industry is young, it is too early to draw conclusions about performance or returns. ③ Responses are self-reported, and no verification of performance or other figures was undertaken.

Disclosure: The respondents include one person associated with the research team (a former searcher), whose response was processed by the same procedure as all others.

Appendix B International Comparison Highlights

This appendix sets the principal indicators of this survey alongside those for the United States (Stanford GSB 2026 Search Fund Study) and for the rest of the world excluding the US and Canada (IESE 2026). Notes on reading the comparison and the sources are given at the end.

B-1 Profile of search fund entrepreneurs

Indicator	Japan (this survey, 2026)	United States (Stanford 2026)	World excl. US & Canada (IESE 2026)
Scope	35 entrepreneurs / 27 funds	862 funds (cumulative, 1984–2025)	492 funds in 48 countries
Age at launch (median)	36	32	34
MBA share	71%	80%	60%
Years from MBA to launch*1	Median 2 years; 50% within 2 years (n=18)	Launch about 1 year after graduation	19% within 1 year; 41% in 1–3 years
Share of women	3%	14%	7%
Main career background*2	Consulting 34%; operating companies (other industries) 34%; general trading companies 31%	Consulting 19%; PE 18%; IB/finance 15%	Consulting 22%; PE 18%; line/GM 14%
Solo vs. partnered search	2 pairs confirmed by matching (to be surveyed in the next edition)	Partnered (2 people) 34%	Partnered (2 people) 31% (37% all forms)

*1 For Japan, derived from year of graduation and year of launch. The overall median is 2 years, but this divides into the traditional type, launching immediately after the MBA (median 0 years), and the accelerator type, launching after accumulating practical experience (median 4.5 years). *2 For Japan, selection rates with multiple responses; for the US and IESE, the composition of primary background (differences in format). “General trading company” is a category specific to Japan. In the US, PE and IB combined (33%) are the largest group.

B-2 Launch and acquisition process

Indicator	Japan (this survey, 2026)	United States (Stanford 2026)	World excl. US & Canada (IESE 2026)
Number of investors (traditional type, median)*3	18 (n=9)	13	15
Search duration (to first LOI / acquisition)	Median 10 months to first LOI (US: mean 7 months to first LOI)	Median 20 months to acquisition (acquisitions since 2020)	Median 21 months to acquisition
Acquisition rate	Not tabulated (industry too young to calculate)	58% (all cohorts)*5 / 48% (2021–24 cohort)	73%
Industry orientation*4	Acquisitions: wholesale & retail 29%; services & IT 29%; manufacturing 18%	Top: services, software, education	Targets: technology 75%; healthcare 67%; services 61%
Employees of acquired company	10–30 at acquisition for 35% (most recent median 37.5)	30–40	Median 50

*3 The median for Japan as a whole is 1 (reflecting the single-investor structure of the accelerator type). The traditional type alone has a dispersed investor structure comparable to the US and Europe (Japan 18, US 13, international 15). *4 For Japan, the industries of completed acquisitions; for the US and IESE, a mix of targets and completed deals (note the conceptual difference). In contrast to the services/technology orientation of the US and the rest of the world, Japan centers on succession in traditional industries. *5 The all-cohort US figure is the acquisition rate for concluded US and Canadian funds reported by IESE 2026 (58%). Stanford 2026 reports the figure for the most recent cohort.

B-3 Returns (for reference)

Indicator	Japan (this survey, 2026)	United States (Stanford 2026)	World excl. US & Canada (IESE 2026)
Return (IRR)	Not reported (only 2 exits)	33.9% (aggregate)	30%
ROI	As above	4.75x (2.8x excluding top performers above 10x)	2.8x (median 1.1x)
Loss of capital	Loss side not observed (1 former searcher captured; see survivorship bias note)	About 26% of acquired companies lost money (total loss 10%, partial loss 16%)	21%
Public market equivalent (PME)*	—	2.88x (3.59x for exited companies)	—

* PME (public market equivalent) is the multiple relative to an investment in the S&P 500 over the same period (1.0 = market return). Newly introduced in Stanford 2026.

Notes on reading the comparison: Most Japanese funds were launched in 2022 or later, and the cycle from completion of the search to exit has not yet come full circle. Comparison of returns and acquisition rates is premature; what is meaningful at this stage is comparison of profiles (age, education, career background, and fund structure). Japan's distinctive features can be summarized in five points: ① entrepreneurs are two to four years older because the accelerator type enters after a long period of practical experience; ② backgrounds in consulting, operating companies, and trading companies predominate (versus PE/IB in the US); ③ the prominence of the accelerator type (a dual fund structure); ④ acquired companies are mainly succession cases in traditional industries; and ⑤ a high rate of bank borrowing (64%).

Sources: Kelly, Zenios & Ng, "2026 Search Fund Study: Selected Observations," Stanford GSB, Case E-967 (30 June 2026; data as of 31 December 2025); Kowalewski, Naranjo, Kelly & Simon, "International Search Funds 2026: Selected Observations," IESE Business School, ST-689-E (data as of 31 December 2025). US and international figures for age, MBA, career background, partnered search, number of investors, and amount raised are for the most recent cohort (2024–25); acquisition rates, returns, and acquired-company indicators are for all cohorts.

APPENDIX C

Details of the Coding of Free-Text Responses

This appendix discloses the procedure and results of coding the free-text responses on which Section 8.3 is based (Form A, "the ideal way for the industry to grow," and the corresponding question in Form B). Valid responses: 41 (33 entrepreneurs, 8 investors).

Procedure: Draft categories and assignments were prepared from the pseudonymized responses and finalized after independent review by the two principal investigators (Miyabayashi and Hasegawa), with multiple assignments permitted.

Category definitions and counts (multiple assignments permitted):

Category	Criterion	Count
Expansion and diversification of the entrepreneur pool	Quantitative expansion of candidates; diversification of origin and age (large corporations, start-ups, non-MBA, people in their fifties, etc.)	19
Priority on demonstrating success cases	Statements treating exits and the accumulation of success cases as the precondition or starting point for growth	17
Spread of awareness and understanding	Raising public awareness; dispelling misunderstanding and the "selling out" perception; easing the resistance of sellers and financial institutions	13
Development of the ecosystem and institutions	Involvement of financial institutions; tax and legal frameworks; the role of industry associations and educational institutions	12
Contribution to regional and business succession challenges	Regional dispersion; cooperation with regional finance; the social significance of solving the successor shortage	7
Acceptance of diverse types and definitions	Coexistence of traditional, accelerator, and other types; coexistence of diverse schemes and values	7
Not classified	Unable to answer; already answered in the other form; etc.	3

Verbatim quotations are included in the main text (Section 8.3) only where the risk of identifying individuals or organizations was checked and the consent of the respondent was obtained.

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