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Private capital focus: The talent crunch in Japan's private capital market

Japan has long been one of Asia's most stable and mature markets. Today, its growing openness to private equity is reshaping the investment landscape, making talent—not capital—the key competitive advantage.

The private capital sector in Asia Pacific and the Middle East is poised for strong growth in 2026, according to our 2025 Asia Pacific and Middle East Private Capital Investment Professional Compensation Survey. This outlook is driven by resilient economies, a growing pipeline of deal opportunities, and rising interest from investors seeking diversification.

Limited partners are prioritizing funds with proven returns, which benefits established firms and makes fundraising harder for mid-sized players. Regional activity remains robust—particularly in markets such as India and Japan—as well as renewed interest in China, while the secondary market continues to expand amid ongoing liquidity pressures. Overall, market sentiment is improving, with growing confidence and increased deal activity expected, particularly in the technology, healthcare, and consumer sectors.

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Within this broader regional momentum, Japan stands out as a particularly attractive market, with an exceptional level of deal activity. One senior market professional even described it as the most active market they have seen in over two decades.

While Japan has long been viewed as a mature, highly developed economy, it is now experiencing a notable shift toward greater openness to private equity. This shift is largely driven by evolving corporate governance standards, a rise in carve-outs and divestitures, and a greater willingness among companies to engage with external capital. This combination of scale, stability, and structural change is positioning Japan as a priority market for both global and regional investors.

Hiring surge meets talent shifts in Japan

Hiring dynamics in Japan's private capital market reflect both its rapid growth and its structural constraints, creating strong upward mobility—particularly for top-tier performers. Over the past 24 months, a wave of new market entrants, combined with continued expansion from established firms, has substantially increased hiring demand. Firms are actively building out investment teams to capture growing deal flow and capitalize on favorable market conditions. In addition, demand for capital-raising professionals remains very strong, reflecting growing interest among Japanese LPs in increasing their allocations to private assets. As firms seek to deepen relationships with domestic investors and tap into growing pools of capital, many are expanding their fundraising and investor relations capabilities alongside their investment teams.

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Since 2023, Japan has emerged as the largest private equity market in Asia. Yet it remains smaller than the US and Europe, making the competition for talent disproportionately intense. The imbalance is particularly evident at the top end of the market, where high-performing candidates are seeing unprecedented levels of interest. Experts recount instances of top individuals receiving as many as seven offers simultaneously.

One key source of this dynamic is the limited pool of experienced professionals. While 24% of private capital professionals across Asia Pacific and the Middle East have more than 15 years of industry experience, only 11% have that depth specifically within private equity. In Japan, this gap is more pronounced due to the market's uneven development: following a highly active period in the mid-2000s, activity slowed for several years before rebounding around 2019 and accelerating more recently. Additional constraints, including language requirements, further narrow the talent pool, as many roles—especially within global firms—require bilingual capabilities. As a result, there are relatively fewer professionals with both the required skill sets and long, continuous track records in private equity investing.

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Competitive success in Japan increasingly depends not only on talent but also on demonstrating a meaningful local presence. Even for capital-raising activities, having dedicated on-the-ground resources has become increasingly critical. In the past, some firms covered Japan from regional hubs such as Hong Kong or Singapore using a fly-in/fly-out model. Today, however, Japanese LPs place greater emphasis on managers demonstrating a long-term commitment to the market through establishing local offices, building dedicated teams, and securing the appropriate regulatory licenses. This evolution is prompting more firms to invest in Japan-based capabilities, further increasing demand for experienced professionals in an already competitive talent market.

These dynamics are driving a sharp increase in compensation as firms compete to attract and retain top talent. Currency movements have added another layer, with global firms sometimes offering compensation in foreign currencies such as US dollars, enhancing the relative attractiveness of their packages amid yen depreciation. Together, these factors are reshaping the talent landscape, creating significant opportunities for high performers while making hiring more challenging for firms operating in Japan's fast-evolving market.

Looking ahead

Expectations for 2026 remain strong across Asia Pacific, with projected GDP growth of around 5% providing a supportive backdrop for private capital. But the more defining story is the increasing concentration of opportunity in select markets, with Japan at the forefront.

Japan's combination of sustained deal momentum and increasing openness to private equity is reshaping its role in the regional landscape. What was once viewed as a stable but less dynamic market is now becoming a focal point for capital deployment and strategic investment, supported by the continued evolution of corporate governance standards. Historically, many Japanese companies traded at valuation discounts due in part to limited transparency and governance practices. As these standards improve, private equity firms are increasingly positioned to drive corporate transformation, enhance operational performance, and unlock shareholder value.

However, this opportunity is not without constraint. The same factors driving Japan's rise are intensifying competition for a limited pool of experienced talent. As a result, firms that can successfully navigate hiring challenges and secure top performers will be best positioned to capitalize on the market's growth.

Investor sentiment across Asia Pacific and the Middle East remains firmly positive, with nearly three-quarters of professionals expecting improved market conditions and 78% anticipating compensation increases. Yet the implication is clear: success in the next phase of the cycle will depend less on access to capital and more on access to capability.

In that context, Japan is not just benefiting from the region's surge in private capital. It is helping define where and how that capital will be deployed.

About the author

Aya Iinuma
is a partner and member of the Financial Services Practice; she is based in the Tokyo office.

aiinuma@heidrick.com

Private Capital Practice

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We pride ourselves on our work with private capital–backed portfolio companies to secure the leadership needed to deliver on tomorrow's strategies. Our consulting services enable us to develop long-term strategic partnerships that build winning leadership teams and create substantial value.

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Global	Gustavo Alba Miami and New York galba@heidrick.com	Jane Bargmann Boston jbargmann@heidrick.com
Americas	Jonathan Goldstein New York jgoldstein@heidrick.com	Ugo Posada Bogotá uposada@heidrick.com
Asia Pacific & Middle East	Guillaume Levi Hong Kong glevi@heidrick.com	
Europe & Africa	Will Moynahan London wmoynahan@heidrick.com	
Venture Capital	Alexis Hennessy Los Angeles ajhennessy@heidrick.com	