



M&A Deal in Malaysia by Japanese Part 4 2021

In this issue, I would like to introduce the acquisition of shares in a Malaysian manufacturer of paint-related products by Nippon Paint Group ("Nippon Paint"), which was announced on March 16, 2021.

1 Nippon Paint's overseas sales account for more than 70% of total sales
Established 140 years ago, Nippon Paint is one of Japan's leading comprehensive paint manufacturers, with operations in 29 countries and regions, and a total of 34,000 employees in the group. The company operates in Japan, Asia, America, Europe, and Oceania, and has more than 100 group companies, with overseas sales accounting for 70% of total sales. Its products are diverse, including automobiles, buildings, bridges and other large structures, bullet trains, large machinery, ships, and office supplies. According to the Nippon Paint Holdings website, the company's performance in fiscal 2020 was expected to be boosted by the acquisition of Australian paint manufacturer DULUXGROUP LIMITED and Turkish paint manufacturer BETEK BOYA VE KIMYA SANAYI ANONIM SIRKETI, which were consolidated in 2019. The company's consolidated net sales increased 12.9% year on year to 781,146 million yen due to strong sales of general-purpose paints in China, its core business, as the Chinese economy recovered. The consolidated operating income also increased 11.4% year on year to 86,933 million yen, due to the effect of higher sales and lower raw material procurement prices, despite the absence of insurance income obtained in the previous fiscal year. Although Nippon Paint's sales was just over 200 billion yen in 2010, it has more than tripled in these ten years, placing the company in fourth place worldwide.

On January 25 2021, the company also acquired 100% of the Asian joint venture and the Indonesian operations of Wuthelam Group (Wuthelam), a collaborative partner for 60 years. As a result, Wuthram is expected to increase its shareholding in Nippon Paint from 39.6% to 58.7%. This series of M&A transactions with Uttram, with a total transaction value of 1.3 trillion yen, was one of the largest M&A deals by a Japanese company in 2020.

Nippon Paint established its office in Singapore in 1962 before the country became independent from Malaysia, and established a local office in Malaysia in 1967.

2 Vital Technical, a manufacturer of sealants and adhesives

(1) Outline of the subject company

According to Nippon Paint's press release dated March 16, 2021, Vital Technical, established in 2002, is a leading manufacturer of sealants (Note 1) and adhesives with the largest market share in Malaysia. The company has four production sites and operates in more than 70 countries around the world, mainly in Southeast Asia, with sales revenue of approximately 170 million Malaysian Ringgit (approximately 4.5 billion yen) in fiscal 2020. Nippon Paint has acquired a 75% stake in Vital Technical through Nippon Paint Malaysia.

(2) Aim of the investment

According to Nippon Paint's press release, "In addition to the acquisition of an excellent management team with expertise and knowledge of SAF (Sealants, Adhesives & Fillers), the new company aims to accelerate the growth of the paint-related business by increasing mutual sales among Nippon Paint and Vital Technical and by expanding the product line-up including Selleys and to improve efficiency by expanding production capacity and coordinating raw material procurement."

(Note 1)

Sealants, like sealants and caulking materials, are materials used in construction to fill in joints and gaps in the structure to make it waterproof and airtight.