

### **M&A Deal in Malaysia by Japanese Part 5 2021**

Previously, we introduced 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. This time, we would like to introduce STG's acquisition of shares in a Malaysian aluminium die-casting manufacturer, which took place in Malaysia on March 26, 2021. Die-casting is one of the metal mold casting methods, and refers to a casting method that produces large quantities of castings with high dimensional accuracy in a short time by injecting molten metal into a metal mold.

1 STG, a manufacturer of magnesium and aluminium die-casting products  
STG was established in Osaka in 1975 and its main business is magnesium die-casting, which excels in reducing the weight of products. The company also provides one-stop services from mold design, casting of metal parts, machining, finishing and conversion processing. The company has factories in Osaka and Shizuoka in Japan, and overseas offices in Hong Kong, Shenzhen, and Thailand. It was listed on the TOKYO PRO Market in June 2019, and recorded sales of about 2.5 billion yen and net income of about 160 million yen in the fiscal year ending March 2020. The Osaka factory employs 30 people, the Shizuoka factory employs 40, the China factory employs 50, the Thailand factory employs 220, and the Malaysian factory, which has been added to the group, employs 470.

2 STX Precision, an aluminium die-casting manufacturer

#### **(1) Outline of the subject company**

According to STG's press release dated March 26, 2021, STX Precision is an aluminium die-casting manufacturer based in Johor Bahru, Malaysia, whose major customers are major global manufacturers, and is capable of manufacturing various products such as electrical equipment parts and automotive parts. The company was founded in 2006 with a share capital of approximately 340 million yen and has three factories in Johor Bahru. In fiscal 2019, the company's total equity is approximately 700 million yen, sales of approximately 1.8 billion yen, and a net loss of approximately 110 million yen. STG recently acquired all of the outstanding shares of STX Precision for 654 million yen. A local Malaysian private equity fund invested in STX Precision in 2013, and since seven years had already passed since the investment, the fund was expected to exit the company.

#### **(2) Purpose of the investment**

According to STG's press release, STG has been "aggressively developing new businesses and M&A for the future, especially in overseas, with the aim of improving production capacity and diversifying the supply chain". As for the acquisition of STX Precision, the company decided to acquire STX Precision because "we can improve production technology by combining our strengths in production," and "there is almost no overlap in major customers, and we expect synergy effects such as diversification of the supply chain through the transfer of STG's magnesium die-casting technology". Following the listing on TOKYO PRO Market in 2019, the acquisition of STX Precision is expected to further develop STG's business. According to a person involved in this transaction, the acquisition audit was handled locally without a business trip from Japan due to COVID-19, which shows that even though it is difficult to travel to the area, the people involved devised ways to carry out cross-border M&A.