

M&A Deal in Malaysia by Japanese Part 3 2021

In the previous issue, we introduced Aica Kogyo's M&A deal for a Malaysian adhesive manufacturer in February 2021. In this issue, we will introduce Sojitz's acquisition of stakes in a Malaysian primary care provider, which was announced on March 1, 2021.

1 Sojitz's wide range of business portfolio

Sojitz is a general trading company with roots in Nichimen Corporation and Nissho Iwai Corporation, both of which have long histories, and has been doing business in many countries and regions for more than 150 years. It has seven business segments: automobiles; aviation and transportation projects; infrastructure and healthcare; metals, resources, and recycling; chemicals; lifestyle and agribusiness; and retail and consumer services. Holding more than 400 group companies in and outside of Japan, Sojitz is one of Japan's leading general trading companies listed on the First Section of the Tokyo Stock Exchange, with sales of approximately 1.15 trillion Japanese yen for the fiscal year ending December 31, 2020.

Sojitz's group companies in Malaysia, including Sojitz Malaysia Sdn Bhd (established in 1980), a subsidiary of Sojitz Asia Pte Ltd, and Sojitz Retail Management Sdn Bhd, an operator of Japanese restaurant business and others, are engaged in a wide range of business with its investors and partners, such as electronics, chemicals, and retail business development.

2 Qualitas, a primary care provider

Qualitas Medical Limited ("Qualitas") is a primary care provider in Asia Pacific, operating 300 clinics, dental clinics and diagnostic imaging centers in Malaysia, Singapore and Australia. The group also has 1,700 staff members, including 400 doctors, and 4,000 corporate and insurance clients, providing various medical services to 2.8 million outpatients annually (Sojitz's press release dated March 1, 2021).

According to the website of the Japan Primary Care Association, primary care is "a personal and comprehensive medical care where patients can consult with about anything" (<https://www.primary-care.or.jp/public/>). The term "primary care" is used to describe a wide range of healthcare service, including medical care, nursing care, welfare that support the patient's general health, so the meaning of the word may be close to the comprehensive image of family doctors.

Qualitas was established in Malaysia in 1997, and as of December 2020, it operates a total of 301 facilities (249 facilities in Malaysia, 13 in Singapore, and 39 in Australia). Recently, Sojitz has invested in a Singapore-based holding company (Qualitas Medical Limited) through a third-party share allocation.

3 Aim of the investment

Sojitz's press release mentioned "globally speaking, the role of primary care is expected to increase further due to population growth, aging societies, increase in the number of lifestyle-related diseases caused by economic development, shifts in people's demands from hospitals to clinics, development of preventive care and early diagnosis services through technological advancement, and vaccination to prevent the spread of infectious diseases. The private primary care market in the three countries where Qualitas operates is expected to grow to approximately 3.5 trillion yen (in 2020), recording a high market growth rate of 7.8% over the past five years.

Utilizing Sojitz's network and expertise, as well as the funds raised through the capital increase this time, Qualitas plans to "accelerate its strategic investments through the establishment and acquisition of new clinics, as well as entering new emerging markets such as Vietnam" and "expand healthcare services through the digital transformation of medical services.

In addition, Sojitz announced on March 11, 2021 that it will take a 30% stake in a hospital in Australia established through a public-and-private partnership project with a total value of 1.5 billion Australian dollars. According to a press release issued on the same day, Sojitz aims to build a healthcare platform that generates synergies from both the public and private sectors, while also utilizing the Qualitas network. On May 26, 2020, Sojitz also announced that it will invest in a healthcare startup company that provides telemedicine services in Singapore. The future expansion of the company's healthcare business in Asia Pacific will be closely watched.