

# Japanese M&A steamrolling ahead

By Thanh Van

Japanese investors are continuing to ramp up operations in Vietnam through investing in greenfield projects and conducting mergers and acquisitions in 2020.

Last week, Miki House, a leading Japanese premium fashion brand for babies and children, officially made inroads into Vietnam by launching its first store in Ho Chi Minh City. Located at Akuruhi trade centre in District 1, the store brings a diverse range of high-quality childrenswear.

The group's entry to Vietnam follows five years of thorough market research to capitalise on market opportunities.

Miki House inked a deal with its local exclusive distributor Vi Bien – Akuhushi Trading and Service Co., Ltd. to expand its presence in Vietnam. Their local partner has been selling “Made in Japan” products for 20 years.

If the first store is successful, Miki House is planning to launch two more

stores in Ho Chi Minh City and extend its reach to Hanoi and the central city of Danang.

According to the latest survey by the Japan External Trade Organization (JETRO), Japan is the fourth-largest investor in Vietnam with \$2.89 billion worth of foreign direct investment registered in 2019. Japanese enterprises highly appreciate the scale and growth potential of the Vietnamese market, as well as the stable political and social situation and low labour costs.

In addition to direct investment, Japanese investors are also active in mergers and acquisitions (M&A) activities. Research by RECOF Corporation, Japan's leading M&A advisory service company, shows that Japanese investors conducted 33 transactions in Vietnam last year, a 50 per cent increase compared to 2018.

Masataka “Sam” Yoshida, head of the Cross-border Division and CEO of Vietnam RECOF Corporation, said that 2019 was the year of highest M&A activ-

ity for Japanese investors in Vietnam, recording a record number of transactions between the two countries. The increase in the number of deals is simply because more Japanese companies have accumulated knowledge of the Vietnamese market to act on their already keen interest in growing markets.

On the same note, Hirai Shinji, chief representative of the JETRO's Ho Chi Minh City office, said that Japanese companies are betting on the bright prospects of the Vietnamese market. In the region, Vietnam only trails behind the Philippines, Indonesia, and China in terms of estimated profits for 2019, with around 65.8 per cent of Japanese firms in the green last year.

While Japanese companies began investing in the Philippines, Indonesia, and China 50 years ago, they have only been present in Vietnam for 25 years. The success stories of Japanese companies gaining stellar profits in such a short time make Vietnam an attractive investment destination for

Japanese investors.

Shinji noted that the recent emergence of top fashion brand UNIQLO in the country reflects the growing interest of Japanese businesses. In particular, the retail and services market has great potential for growth due to the country's large population, rising income, and expanding middle class.

When comparing the number of new investment certificates granted in 2019 by sector, the manufacturing industry was on even footing with retail and services, both making up 21 per cent. The situation has changed from Vietnam being a major investment destination for the manufacturing industry to being a lucrative retail market with rising consumption and high purchasing power.

Recently, the JETRO and the Japanese Chamber of Commerce and Industry conducted a survey on the impacts of the COVID-19 outbreak. It showed that Japanese companies from the manufacturing industry have started to feel the bite of sup-

ply chain disruptions. Some Japanese companies are facing weeks of disruptions to secure input materials, which will lead to a dramatic rise in material prices.

Although Japanese businesses have yet to be affected, they predict that the impacts will start being visible in March. Many of them continue efforts to balance inventory, find alternative materials and goods supplies, seek new suppliers, and change manufacturing locations.

Shinji said that the JETRO will review the impacts of the outbreak on Japanese businesses when they release their reports at the end of the financial year. However, he was positive that while the epidemic wreaks havoc on both local and overseas businesses, it will not dampen the interest of Japanese investors in Vietnam's fast-growing market.

According to RECOF's Yoshida, most Japanese companies are becoming more cautious with their investment decisions and tend to take more time with M&A deals to avoid undue risks.

“We believe the COVID-19 outbreak may become one of the hurdles to delay transactions. However, this is just a delay in time and has no bearing on interest in Vietnam itself,” he said.

“Regardless, we predict that 2020 will continue to be a promising year for Japan-Vietnam M&A transactions as more Japanese investors show interest, driven by growth pressures,” he said, adding that some of the attractive sectors will be consumer goods, food and beverage, human resources, real estate, logistics, energy, and financial services.

“While we believe there will be a lot of M&A transactions between Japan and Vietnam this year, Japanese investors should take into account some of the potential challenges that may arise in the course of the M&A process with local companies,” Yoshida added. “We highly recommend that they engage professional advisors who are familiar with the market practices of both countries in order to minimise these issues.” ■

## Food processors thinking outside the box for sales

By Phuong Hao

Vietnamese enterprises are aiming to widen deep processing to diversify products to better serve their export markets.

With a processing factory in the Mekong Delta province of Long An stuck with a large amount of dragon fruit due to the current worldwide health crisis, global fruit and vegetable producer Lavifood has come up with brand new products made from this kind of fruit. As a result, the company bought a huge amount of dragon fruit to both support farmers and start their new project.

“We have made 100 per cent dragon juice with a lifespan of nine months, soft dried dragon fruit for six months, and also frozen packaged products,” Dinh Hung Dung, deputy general director of Lavifood said.

According to Dung, with these new products, the company can use all of the fruit before their expiry dates. “Part of these products will be shipped to China via sea,

which is convenient for both China and Vietnam. From now on, we will only export by sea, not by road,” Dung added.

Along with Lavifood's move, many other enterprises have also found different ways to diversify their products while supporting farmers.

Self-proclaimed ‘king of bread’ Kao Sieu Luc, owner of ABC Bakery, also thought of using dragon fruit in his products. He replaced 60 per cent of water with pureed dragon fruit, which means that he uses 1.4kg of the fruit for every 5 kg of wheat.

“At the early stage we bought a tonne of dragon fruit, then pureed and froze them for future use. If the product is popular, we will need 200kg of dragon fruit per day,” Luc said.

After big success with the dragon bread and long lines of people waiting to purchase some, Luc has also introduced varieties with durian filling in the middle.

“We aim to export this kind of bread after serving the domestic market. In addi-

tion, we will introduce dragon moon cake this autumn. We have also thought of using typical Vietnamese products like taro, watermelon, and avocado to bake cakes,” he added.

Also wishing to support farmers, Huynh Kim Chi's Vikybomi Corporation, a producer of prepared mix in Ho Chi Minh City, has finished products made from wheat, dragon fruit, and watermelon such as bread and fresh noodles.

“We are a material provider, so we will not sell the products directly to consumers but transfer the formulas of these products to manufacturers for free, helping consume more agricultural products,” Chi said.

According to Chi, her corporation may create more new items from agricultural products for export.

Meanwhile, Le Duy Toan, director of Duy Anh Food Ltd., Co., said that his company had also successfully made watermelon vermicelli and dragon fruit rice crepes, which were immedi-



Lavifood has created new products to take food lifespan into account

Photo: Le Toan

ately welcomed by Japanese and South Korean customers.

“In these two markets, people often use the rice crepes to roll barbecue or wrap sushi. We have just exported the first watermelon vermicelli patch to South Korea, while one customer from Japan has ordered 3.5 tonnes. We are in the process of signing an order of around three tonnes of watermelon noodles and dragon fruit rice paper for the Australian market,” Toan said.

According to Toan, the company will continue creating similar products, while

continuing to promote these new ones. “Noodles and rice paper made from dragon fruit and watermelon will be our major products. We are consuming 1-1.2 tonnes of watermelon and 300kg of dragon fruit a day. We hope to increase the amount to four tonnes of watermelon and one tonne of dragon fruit,” he added.

With experience in using sweet potatoes, beetroots, and spinach to produce vermicelli, *pho*, and rice paper, Toan said, “Creativity in processing agricultural products to increase their value is essential because Vietnam has

strong advantages in agriculture while consumers are very fond of new products.”

Lauding the initiatives of enterprises, Minister of Agricultural and Rural Development Nguyen Xuan Cuong said that these were practical means to help the agricultural sector to sustainably develop in the future. “Focusing on deep processing is necessary to help the agricultural sector reach the target of \$43 billion in 2020. Processing enterprises must closely connect with material areas to reduce the volume of exported fresh products,” Minister Cuong said. ■