INOAC USA, Inc.

Mexico Manufacturing Footprint
INOAC USA, Inc. is the North American division of INOAC Corporation of Tokyo, Japan

- Total of Twenty (20) Subsidiaries in US, Canada, and Mexico
- Employs 3,200+ members
- Twenty Two (22) Manufacturing Facilities
- Three (3) Labs – Research and Development as well as Testing
- Three (3) Offices in NA – Sales, Engineering, and Finance
- Two (2) Additional Warehouses/Distribution facilities
- Manufacturing products for Automotive, Consumer, Industrial, and Medical Industries
- Automotive manufacturing includes both Interior and Exterior production
INOAC USA began it’s first Mexico operation in 1992; over the last 20 years IUI’s Mexico footprint has grown significantly……………

- Total of Seven (7) Subsidiaries in Mexico (located in Monterrey and Saltillo)
- Employs 1,170 members within four Mexico Corporations and three Maquiladoras
- Four (4) Subsidiaries are 100% Wholly Owned (IPM, IGNA, IPG, and ITP)
- Three (3) Joint Venture Companies (SLAM, SIT, SAT)
- Five (5) Manufacturing Plants in Mexico with 342,000 sq. ft. of production space
- Two (2) Additional Warehouses
- Sales, engineering, and logistics office located in Monterrey, Mexico
- Mexico based sales (2013) will approach $300M
- Strategic planning includes three (3) additional operations in next 5 years
Deciding Your Company’s Mexico Strategy

Can you really afford not to utilize Mexico?
Mexico shares a wide border with the US and is the gateway to Latin America.
Mexico’s Economic Complexity

Mexico ranks in the top 20 of Harvard’s Atlas of Economic Complexity

- Recognizes that our country holds vast amounts of productive knowledge
- We manufacture and export a large number of sophisticated goods

- **115,000 engineers** graduate every year from science and technology programs.
- **80%** of Mexican exports in 2011 were **manufactured goods**.

With 12 trade agreements, Mexico has privileged access to 44 countries (1.2 billion people).

Mexico’s Free Trade Agreements

Mexico’s FTAs reach 2/3 of the world’s GDP.

- Part of the world’s largest economic block (NAFTA).
- NAFTA market = 18 trillion USD.
- And we are the gateway to Latin America.

Countries with FTA

Lázaro Cárdenas-New York (USA) 10 days
Altamira-Philadelphia (USA) 7 days
Altamira-Belem (Brazil) 10 days
Manzanillo-Arica (Chile) 9 days

Number of FTA’s and countries

SOURCE: IMF, OMC, Sea Rates.
Mexico’s Cost Competitiveness

The most competitive country in terms of costs and taxes, according to Global Benchmark Report 2011.

According to KPMG, in 2011 Mexico had an average cost advantage of 21% (over 19 industries), compared to the US.

The Alix Partners Manufacturing Outsourcing Cost Index ranks Mexico as the best country (better than BRIC’s).

Mexico’s Demographics are positive

- 112 million inhabitants with a **median of 26 years**.
- 47 **million** in 2010 were in the **labor force**.
- According to forecasts, there will be more than 60 **million** people of productive age by **2030**.

Mexico’s Automotive Industry

- Mexico is the 8th vehicle producer in the world.
- And the 5th exporter globally.
  - Exports almost three times more than Brazil and India combined.
  - A strategic supplier to the North and Latin American automotive markets.
  - In 2011, Mexico was the leading auto parts supplier to the United States.
  - Eleven of every 100 light automobiles sold in the United States are manufactured in Mexico.
  - 84 of the top 100 automotive component companies in the world have production facilities in Mexico.

Mexico OEM Automotive Industry

- 17 Light vehicle plants
- 12 Heavy vehicle plants
- 2011 Production volume over 2.2M light vehicles
- 2011 Mexico became #1 Light Vehicle supplier to the U.S.
- Potential that light vehicle production will increase by 38% from last year.
NISSAN #3 plant +200K cars
HONDA #2 plant +200K cars
Mazda(Toyota) plant +180K cars
VW Audi plant +200K cars

NISSAN 622,494 701,845 828,743 855,380 828,417 818,093 830,966
Honda 57,584 122,232 213,293 262,241 330,747 332,312 347,191
Mazda - 61,281 114,845 158,330 228,600 225,407 227,427
Toyota 50,336 51,968 65,290 88,678 86,360 85,130 89,296
VW 583,534 571,922 585,109 661,833 720,875 689,020 715,722
GM 602,957 632,376 649,732 620,801 619,614 615,076 607,149
Ford 523,054 499,230 498,164 477,606 475,698 498,358 570,962
Fiat 457,391 442,629 425,400 444,174 449,138 459,170 457,645
Others - - 127,180 212,458 223,011 272,247 280,346
According to Goldman Sachs Mexico’s economy will grow!

- Goldman Sachs estimates that by 2050, Mexico will become the 5th largest economy.

- According to Accenture, Mexico will be one of the Big Six in 2025.

- According to HSBC, by 2050 Mexico will be the 8th largest economy in the world.
México’s strategic developments

- Manufactures
  - Aerospace
  - Automotive
  - E&E
  - Renewable energies and energy efficiency

- Services
  - Creative industries
  - IT
  - Life Sciences

Sectors
- Primary Economy
- Secondary Economy
- Tertiary Economy

Added value

Infrastructure, educative services and economic policy
What are the key variables you must consider in your strategy?

Targeting Mexico?
7 Factors that need to be considered

1. Determine whether or not to establish a Mexico Operation.
2. What type of structure best suits your company’s needs.
3. Evaluate the cost structure: verify and understand it.
4. Consider location, facility, and staffing needs.
5. Tax efficiency: (tax implications) transfer pricing, VAT, Import & Export etc.
6. Establish a security plan (consult with experts).
7. Establish a business Plan.