



INOAC

INOAC USA, Inc.

Mexico Manufacturing Footprint

INOAC

INOAC USA, Inc.

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

INOAC USA, Inc.

INOAC USA began its 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



Mexico shares a wide border with the US



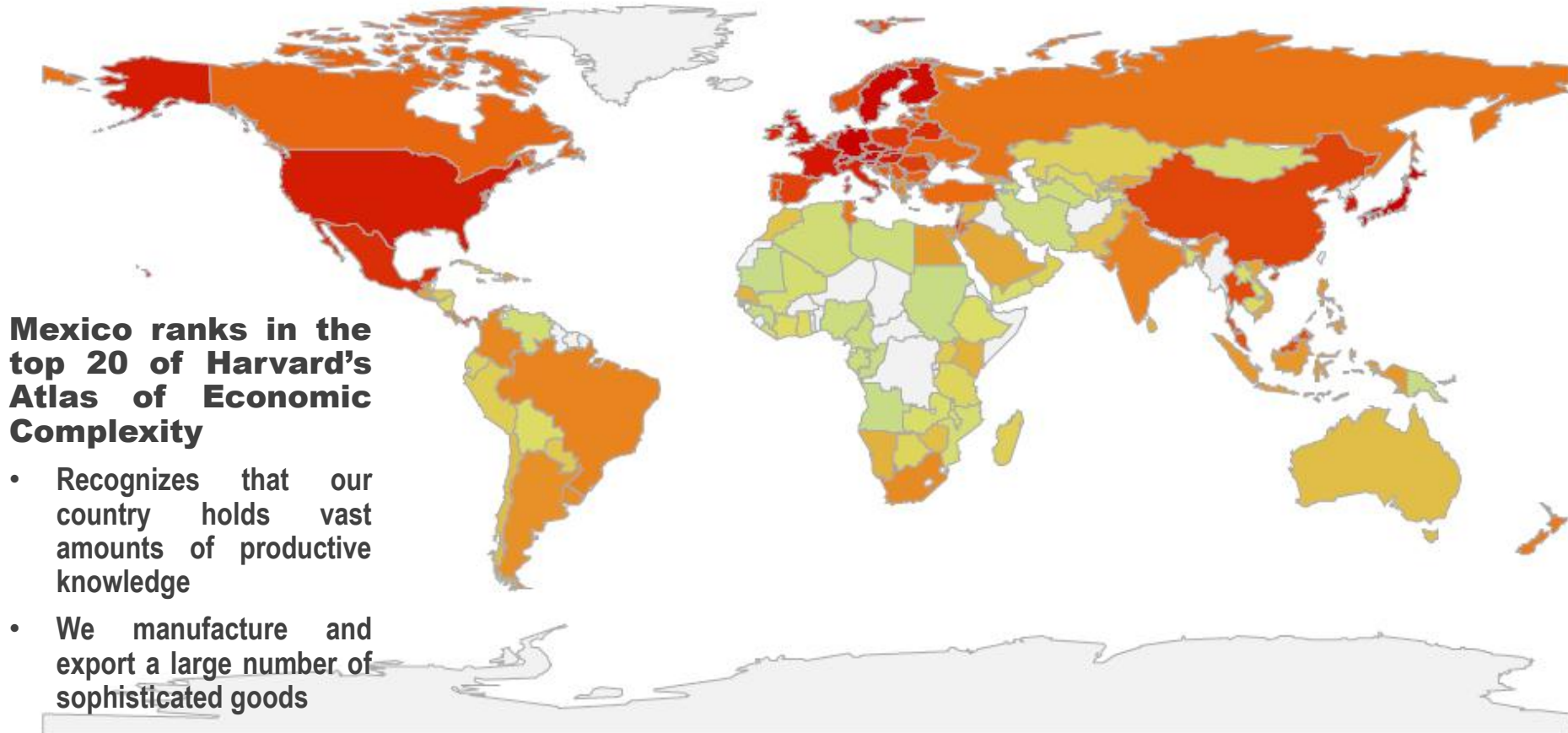
Mexico shares a

1,864

Mile border with
the United States

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**.

Mexico's Free Trade Agreements

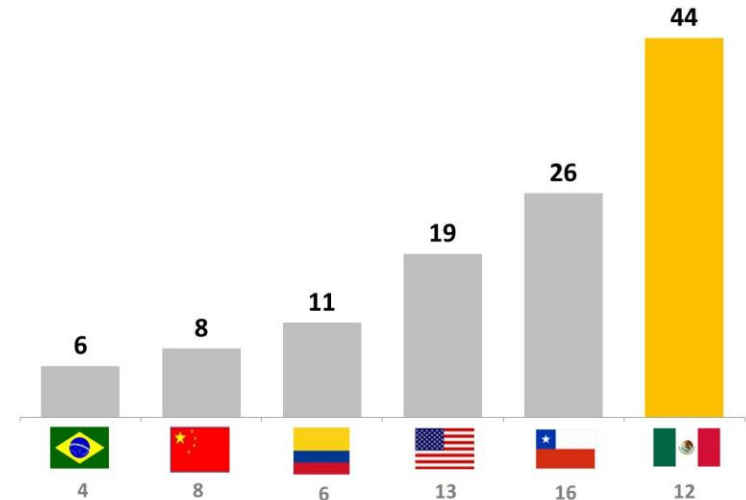
Mexico's FTAs reach 2/3 of the world's GDP.

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



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

Number of FTA's and countries



Mexico's Cost Competitiveness

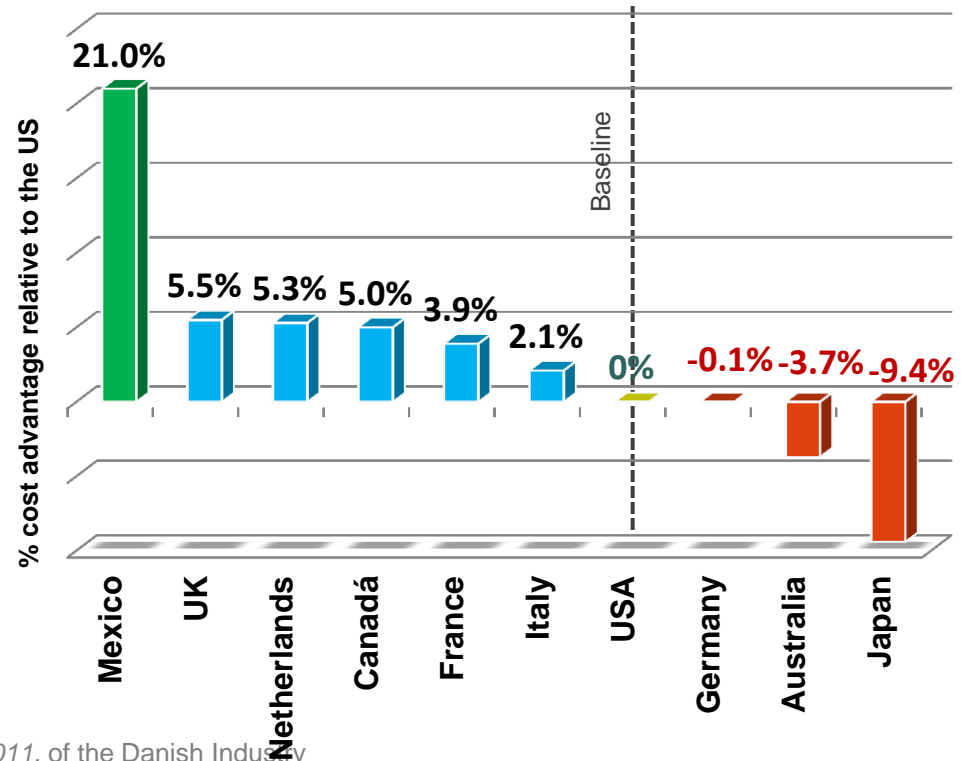


The most competitive country in terms of costs and taxes, according to *Global Benchmark Report 2011*.



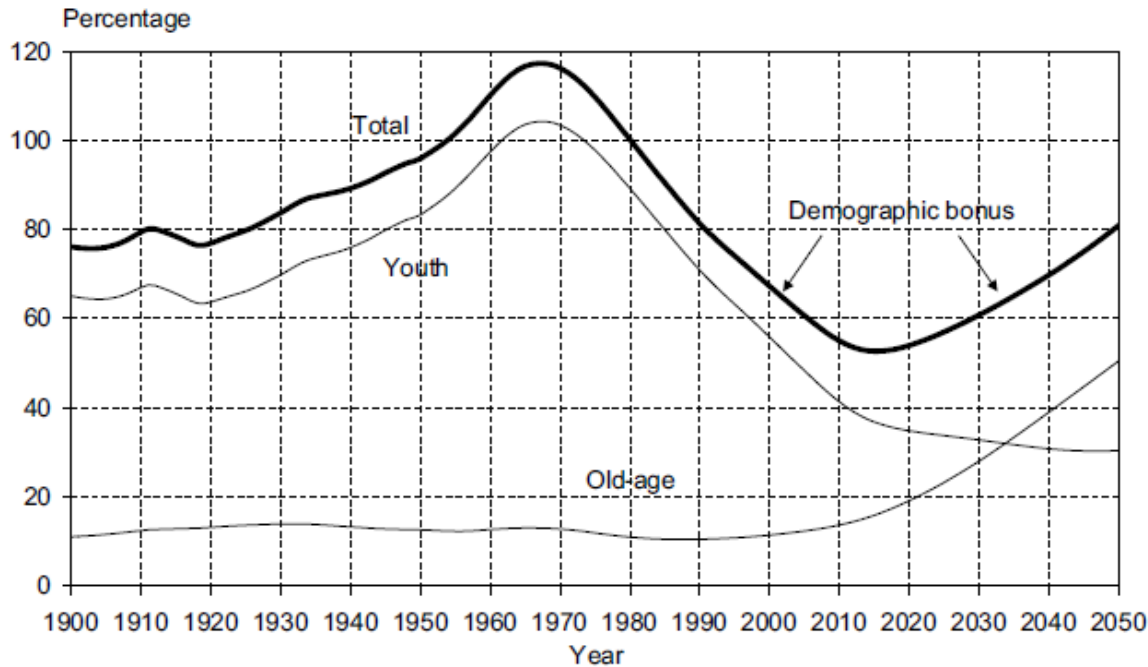
The Alix Partners *Manufacturing Outsourcing Cost Index* ranks Mexico as the best country (better than BRIC's).

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

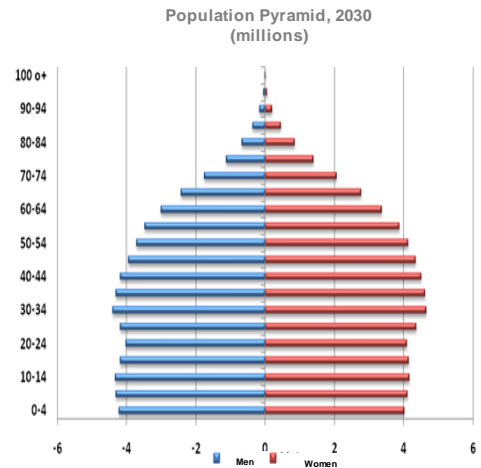
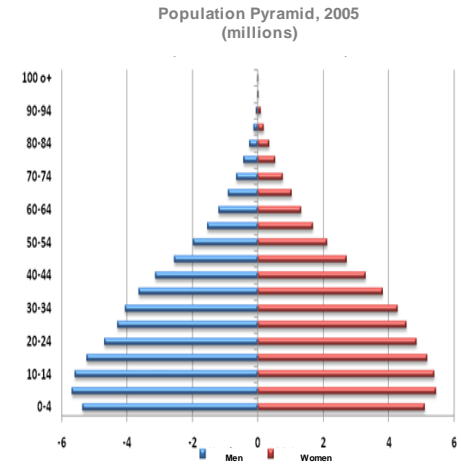


Source: *Competitive Alternatives 2012*, KPMG; *Global Benchmark Report 2011*, of the Danish Industry Confederation; *Manufacturing Outsourcing Cost Index 2010*, Alix Partners.

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



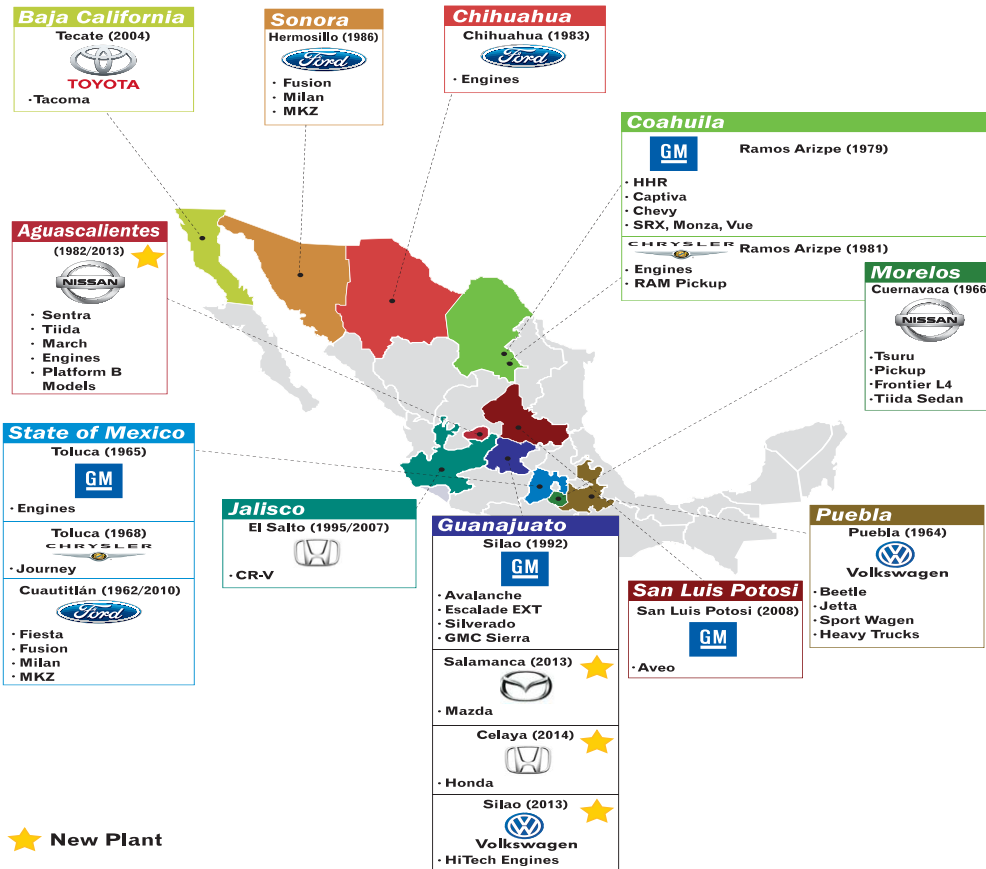
Ford's plant in Hermosillo, Mexico, is the only facility in the world to produce the new Fusion model and the Lincoln MKZ.

- **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.

Source: OICA/ Global Trade Atlas/ AMIA/ Ward's Automotive Reports/ AASA, 2011.

Mexico OEM Automotive Industry

Mexico's OEMs Plants



17 Light vehicle plants

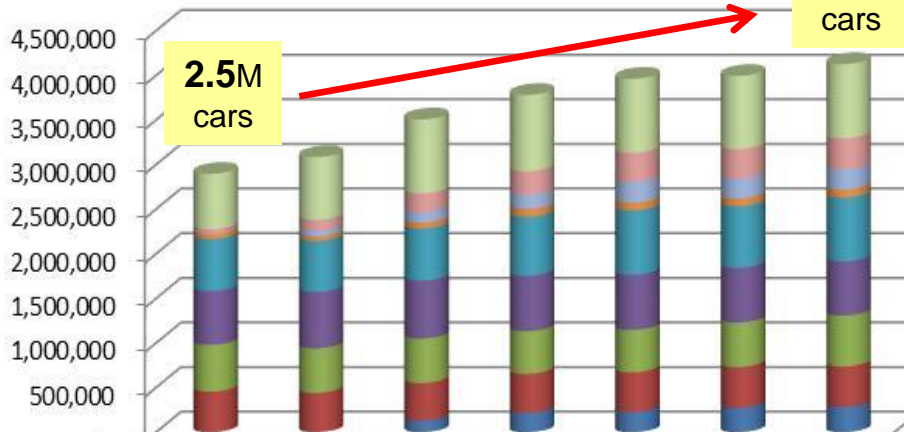
12 Heavy vehicle plants

2011 Production volume over 2.2M light vehicles

2011 Mexico became #1 Light Vehicle supplier to the U.S.

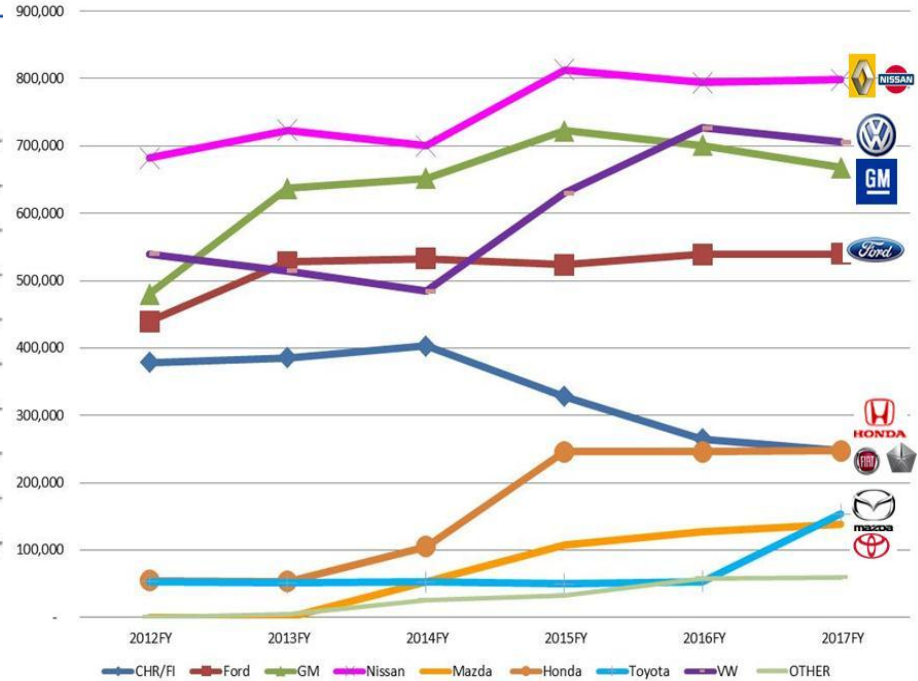
Potential that light vehicle production will increase by 38% from last year.





OEM's Trend in Mexico



	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
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

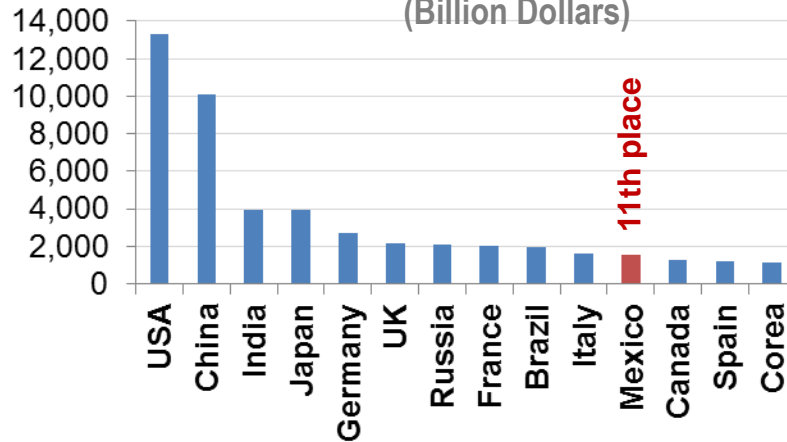
Mexico OEM Trend



-  **NISSAN #3 plant +200K cars**
-  **HONDA #2 plant +200K cars**
-  **Mazda(Toyota) plant +180K cars**
-  **VW Audi plant +200K cars**

According to Goldman Sachs Mexico's economy will grow!

2011 World's largest GDP measured by PPP
(Billion Dollars)

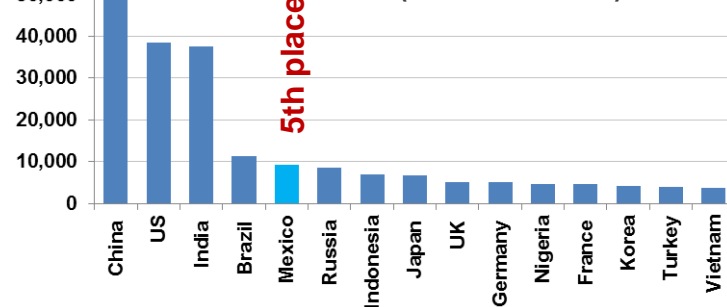


- **Goldman Sachs estimates that by 2050, Mexico will become the 5th largest economy.**

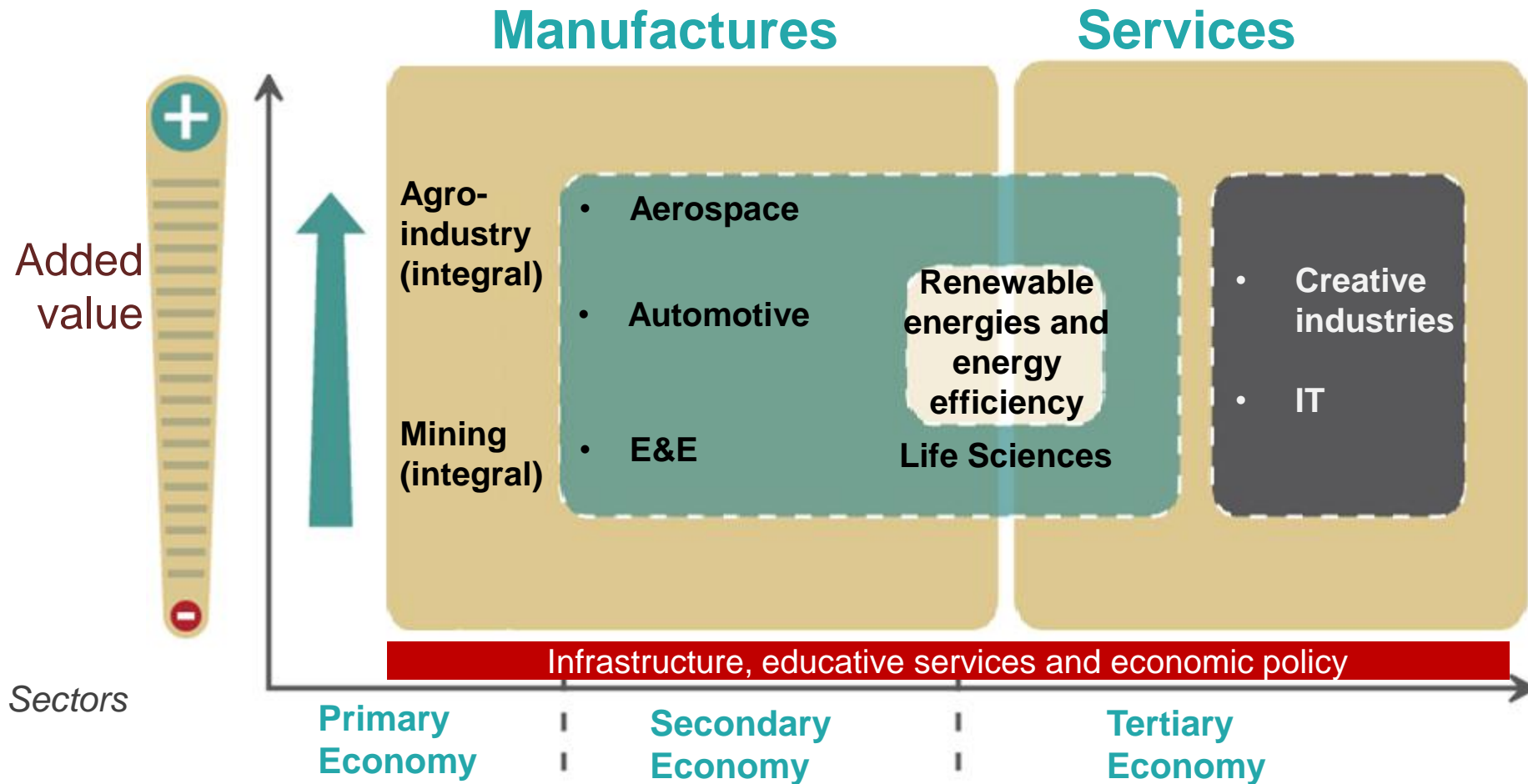
- **According to Accenture, Mexico will one of the Big Six in 2025.**

- **According to HSBC, by 2050 Mexico will be the 8th largest economy in the world.**

2050¹ Goldman Sach's Forecast
Gross Domestic Product
(Billion Dollars)



México's strategic developments



What are the key variables you must consider in your strategy?

Targeting Mexico?



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.

Establish a business Plan.

Establish a security plan (consult with experts).



7 Factors that need to be considered