# SGS @ NORTH EAST ASIA (NEA)

Helmut Chik - Chief Operating Officer - NORTH EAST ASIA

Investor Days, 26-27 October 2017

WHEN YOU NEED TO BE SURE

# NORTH EAST ASIA (NEA) - PROFILE

- NEA comprises China, Hong Kong, Taiwan, Japan, Korea, Vietnam, Mongolia
- New Region since 2017
- Over 20,000 FTEs
- Presence of all the Business Lines: CRS, IND, AFL, CBE, OGC
- Good balance between International and Domestic Businesses
- The new Region is progressing well: double digit growth on both top and bottom lines

# SGS IN NORTH EAST ASIA






**China**

13710
112
55

**Taiwan**

3068
36
16

**Hong Kong**

1203
9
4

**Vietnam**

1142
17
6

**South Korea**

1001
16
11

**Japan**

332
3
5

**Mongolia**

56
3
1

# NEA OPPORTUNITIES (1)

- Maintain and expand our leadership position including CRS, AFL, CBE, TRP, OGC, MIN
- eCommerce:
  - Biggest TIC service provider to various Chinese portals
  - Launched O2O platform for e-Calibration (B2B) in China
  - Launched Household SafeGuard services in China (B2C)
  - Soon launching eCom solutions in Taiwan and Japan
- Automation and Robotization
- China Domestic Market penetration:
  - De-regulation trend continues
  - Acquiring accesses to the selected sectors
  - GB opportunity (China national standard)
  - Rise of middle class & baby boom: TRP, AFL, EHS
  - OBOR (One Belt One Road)

# NEA OPPORTUNITIES (2)

- Hong Kong:
  - International sales and key account platform
  - Well positioned to target massive housing and infrastructure opportunities: Residential projects, Metro extensions, New Airport project
- Taiwan:
  - Expand our leadership position in Wireless and Radio Frequency with CCS synergies
  - Dominant position in AFL allows SGS to benefit from new opportunities due to the new Food Safety Law
- Korea:
  - Leadership position in the RSTS, Wireless and Radio Frequency
  - New AFL facilities to capture the emerging opportunities arisen from the new Food Safety requirements

# NEA OPPORTUNITIES (3)

- Japan:
  - International selling and key account platform
  - Focuses on E&E, Automotive and Medical Devices Sectors
- Vietnam:
  - Emerging sourcing country for consumer goods
  - Substantial FDI from Korea, Japan, China, HK and Taiwan
  - Very strong growth in CRS, CBE and AFL
- Synergies among the NEA affiliates
  - Integrated and interdependent economies
  - Key account synergies
  - Hub & Spoke
  - Technical and capacity transfers

# NEA TRADE AND INVESTMENT FACTS

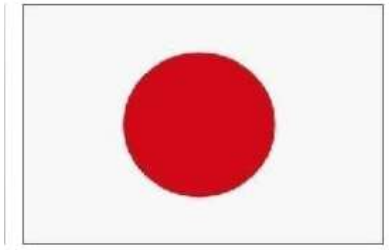
- In 2015
  - NEA exports represent 27.2% of global exports.
  - 38.7% of NEA exports stay within NEA.
  - NEA to NEA exports represent 10.5% of global exports
- 14% of all Japan FDI in the past 5 years has been to NEA countries with a value of US $91.3T
- At the end of 2016 NEA countries represent 51.9% of the US $293.7 Bio of Vietnam FDI and account for 63.4% of all projects invested

# SGS IN JAPAN

Nobuharu Suzuki - Managing Director -Japan

Investor Days, 26-27 October 2017

# JAPAN



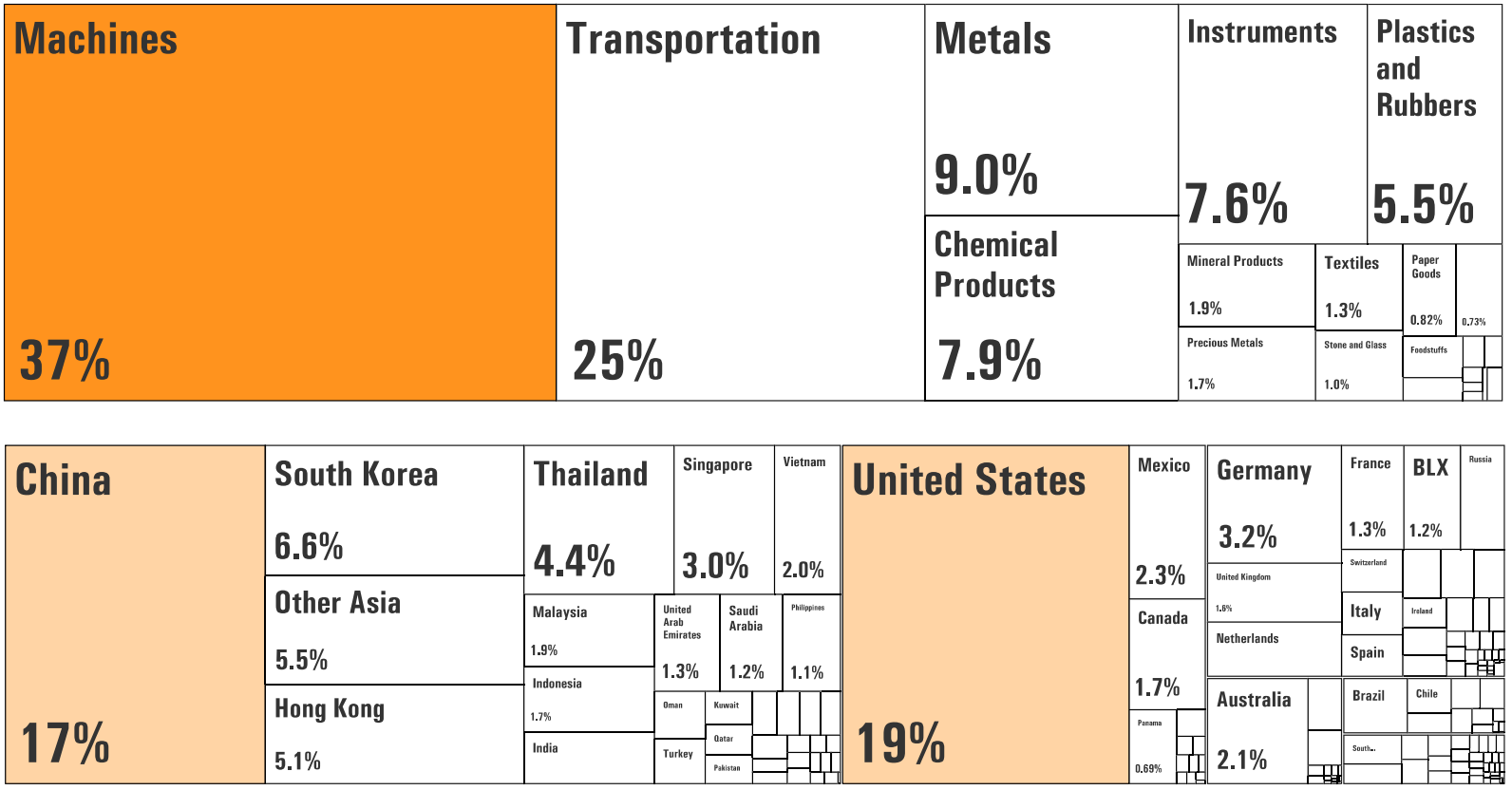
- Japan is the 4th largest export economy in the world and the most complex economy according to the Economic Complexity Index (ECI).
- In 2015, Japan exported $670B and imported $589B, resulting in a positive trade balance of $81.6B and GDP was $4.38T and GDP per capita was US $40.8K.

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Population (Mio)** | 127.7 | 127.4 | 127.3 | 127.1 | 127.0 |
| **GDP growth (%)** | 1.5 | 2.0 | 0.3 | 1.2 | 1.0 |
| **CPI (%)** | -0.1 | 0.4 | 2.8 | 0.8 | -0.1 |
| **Unemployment (%)** | 4.4 | 4.0 | 3.6 | 3.4 | 3.1 |
| **FDI Outflow (US$ B)** | 117.6 | 155.7 | 137.9 | 136.4 | 169.7 |

Source: Observatory of Economic Complexity. www.atlas.media.mit.edu, World Bank.

# JAPAN EXPORTS 2016

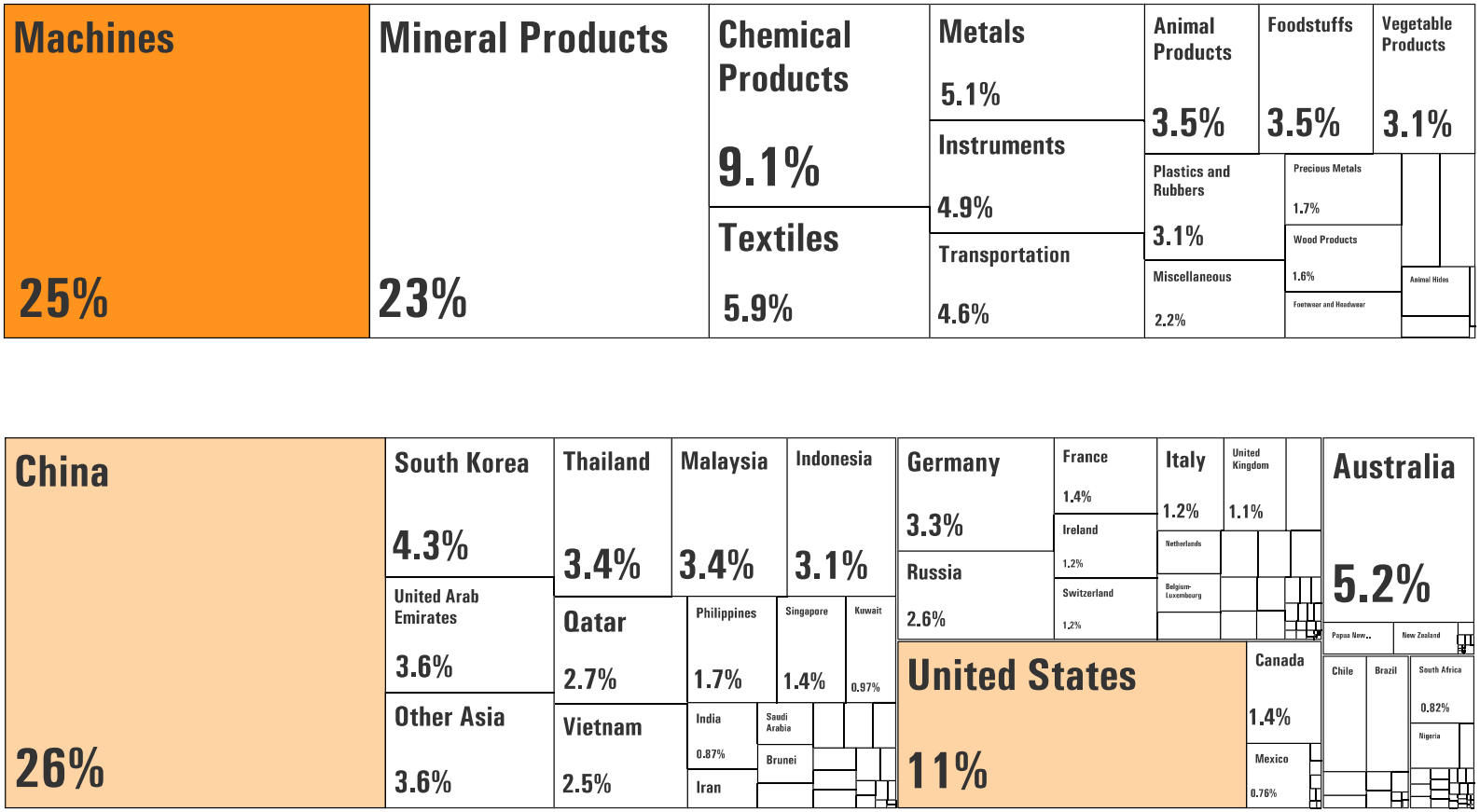
**EXPORTS**
**US $672B**




Source: Observatory of Economic Complexity. www.atlas.media.mit.edu

# JAPAN IMPORTS 2016

**IMPORTS**
**US $589B**




Source: Observatory of Economic Complexity. www.atlas.media.mit.edu

# SGS IN JAPAN




- Established in 1987 as a 100% subsidiary of SGS Group
- Headquarters in Yokohama
- Over 300 professionals
- 5 sites including 4 laboratories
- Key Businesses: CRS, CBE, TRP, OGC, IND
- Acquired RF Technologies in 2014

# SGS SELLING OPPORTUNITY IN JAPAN

- Japanese business is global. The Local vs International Ratio has reached 10:90
- Japanese companies continue to expand their overseas footprint and 66.7% of the holdings are in Asia and the trend continues to increase
- SGS Japan is a strong sales and key account management affiliate maximizing SGS network revenue
- Examples of large global SGS Key Accounts in Japan
  - Electric and Electronics - Canon, Panasonic, Sony, TDK
  - Power Plants - Mitsubishi, Hitachi, Marubeni
  - Automotive - JAMA, Toyota, Nissan, Honda, Isuzu
  - Automotive Tier-1 suppliers -Denso, Aisin, Advics, Yazaki

# SGS OPPORTUNITIES IN JAPAN

- EE manufacturing / 2017 forecast[1]
  - Manufacturing in Japan: USD 100 billion (103% against 2016)
  - Manufacturing outside Japan (by Japanese companies): USD 340 billion (103% against 2016)
- Medical Devices Market continuously expanded in the past 5 years with 4% average annual growth[2]
  - US$ 33 B in 2015 and US$ 6 billion for export to other
- SGS is in strong position in RSTS, Wireless and Radio Frequency which support the global needs of Japanese companies
  - EE parts and Appliances including IT, Automotive parts, Medical Devices, Wireless Devices
- SGS provides both local and international system certification solutions to support all the above sectors

1 - JEITA Statistics Guideline, Executive Summary 2017-2018. 2 - Pharma, Medical Device Manufacturing Statistics, MHWL 2016

# SGS JAPAN MOVING FORWARD

- Continuously leverage our technical platforms, sales and key account management capabilities for Japanese companies to maximize the Group revenue opportunities linked to the Japanese investment elsewhere in the world
- The trade penetration together with the new eCommerce initiative launched in Japan enhance SGS brand awareness and recognition in both Business and Consumer arenas
- Pursuing external growth opportunities in selected strategic segments:
  - Automotive and Parts
  - Medical Devices
  - Electrical and Electronic

# SGS @ VIETNAM

Jason Han - Managing Director – Vietnam

Investor Days, 26-27 October 2017

WHEN YOU NEED TO BE SURE

# VIETNAM



- Vietnam is the 24th largest export economy in the world and the 50th most complex economy according to the Economic Complexity Index (ECI).
- In 2015, Vietnam exported $185B and imported $169B, resulting in a positive trade balance of $15.8B and GDP was $193B and its GDP per capita was US $2.1K

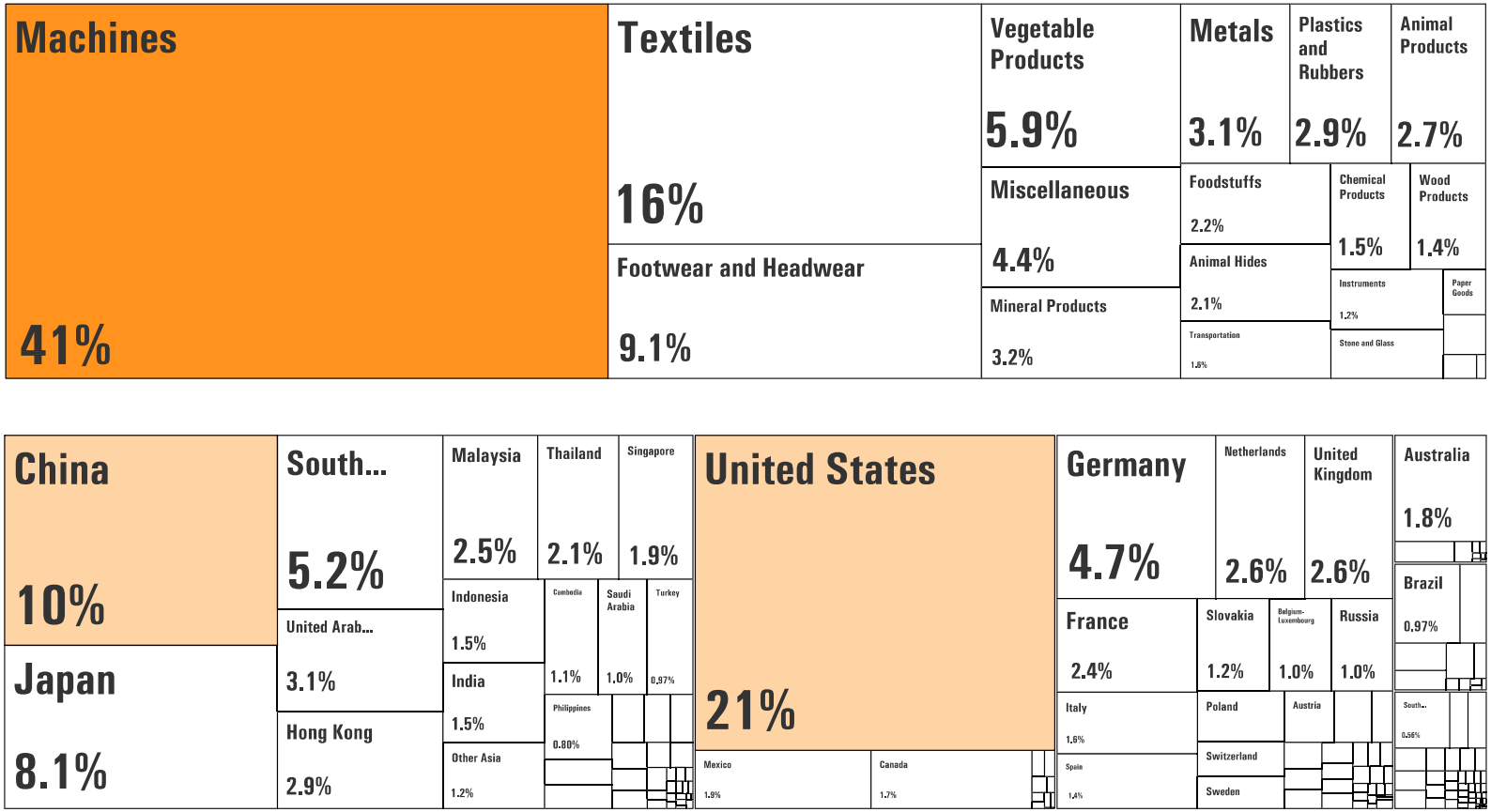
| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **Population (Mio)** | 88.9 | 89.8 | 90.7 | 91.7 | 92.7 |
| **GDP growth (%)** | 5.3 | 5.4 | 6.0 | 6.7 | 6.2 |
| **CPI (%)** | 9.1 | 6.6 | 4.1 | 0.9 | 4.7 |
| **Export Growth (%)** | 18.2 | 15.3 | 13.8 | 7.9 | 9.1 |
| **Unemployment (%)** | 1.8 | 2.0 | 1.9 | 2.1 | 2.2 |
| **FDI Inflow (US$ B)** | 16.3 | 22.4 | 21.9 | 24.1 | 24.4 |

Source: Observatory of Economic Complexity. www.atlas.media.mit.edu, World Bank. General Statistics Office of Vietnam

# VIETNAM EXPORTS 2016

SGS INVESTOR DAYS HO CHI MINH CITY 26-27 OCTOBER 2017

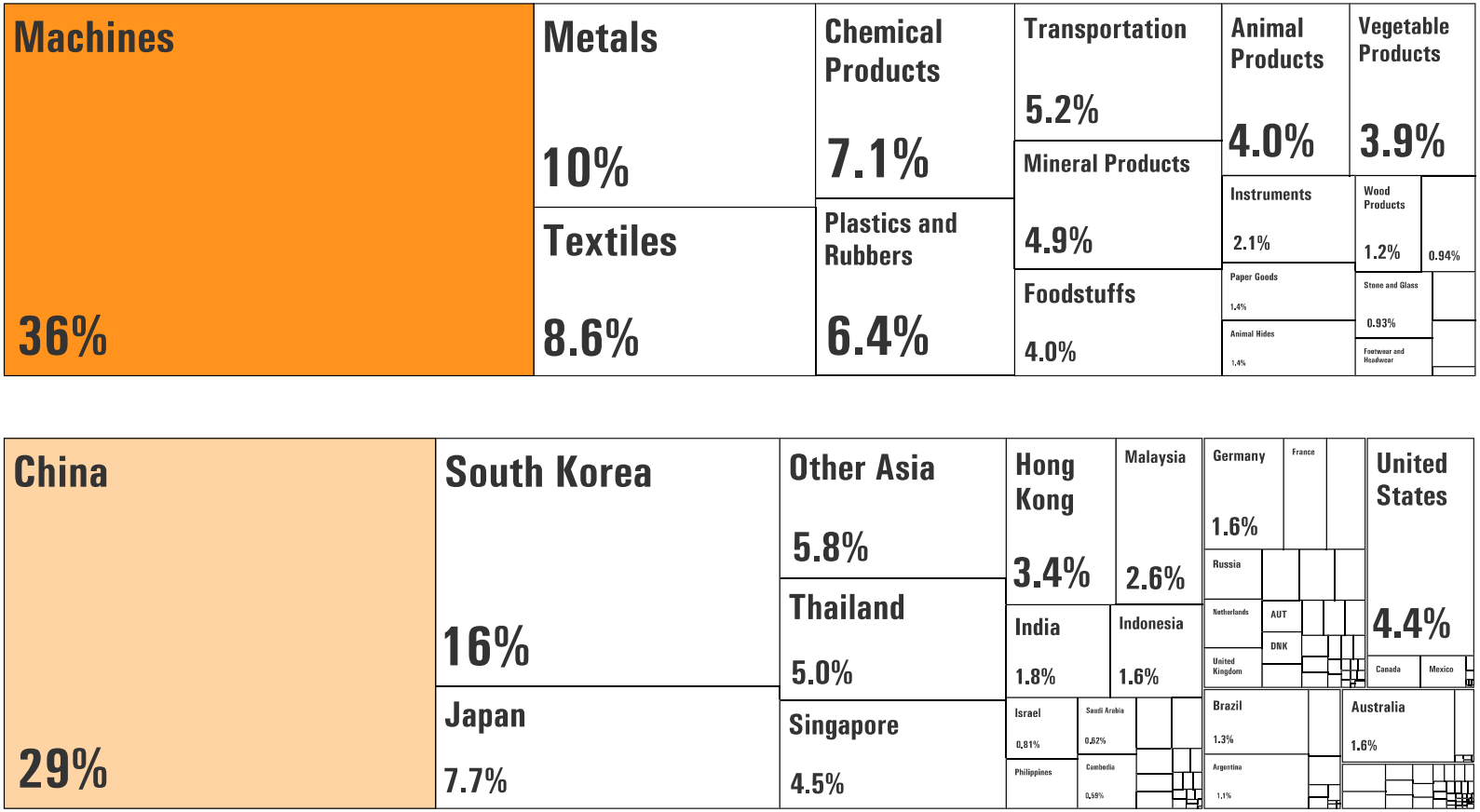
**EXPORTS**
**US $185B**



# VIETNAM IMPORTS 2016

SGS INVESTOR DAYS HO CHI MINH CITY 26-27 OCTOBER 2017

**IMPORTS**
**US $170B**



# SGS IN VIETNAM




Started operation in Vietnam in 1989

Headquarters in Ho Chi Minh City

More than 1,200 employees

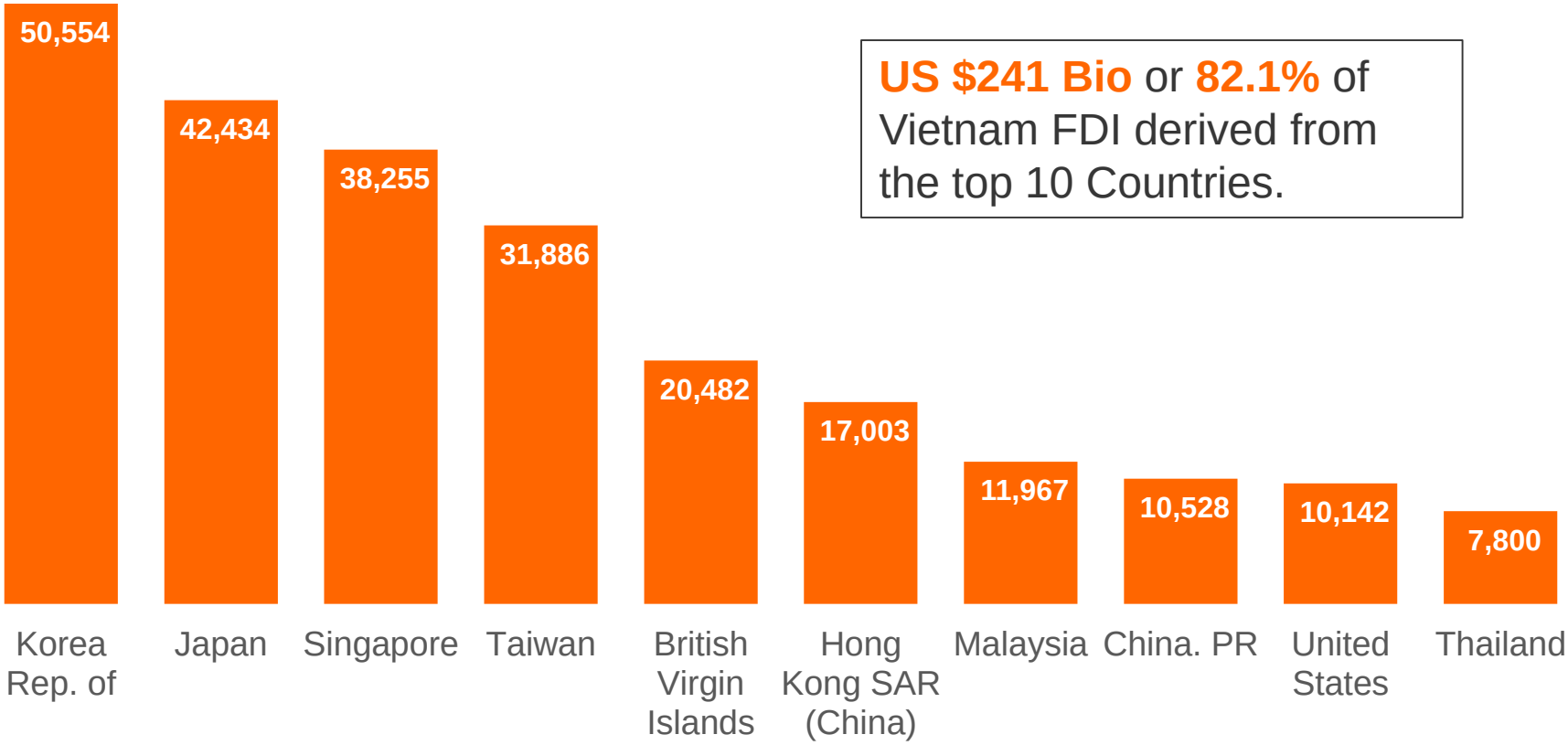
7 sites with 5 laboratories

Presence of 8 Businesses: CRS, MIN, CBE, IND, OGC

# VIETNAM ECONOMY

- Characteristics
  - Young country – over 80% population is below 40s
  - Sustainable growth – over 6% growth for more than 10 years
  - Increasing Foreign Direct Investment
- Challenges
  - Labor cost inflation and shortage of skilled labor
  - Underdeveloped financial and physical infrastructure
- Opportunities
  - Emerging manufacturing and sourcing country
  - Infrastructure projects
  - Training and management systems

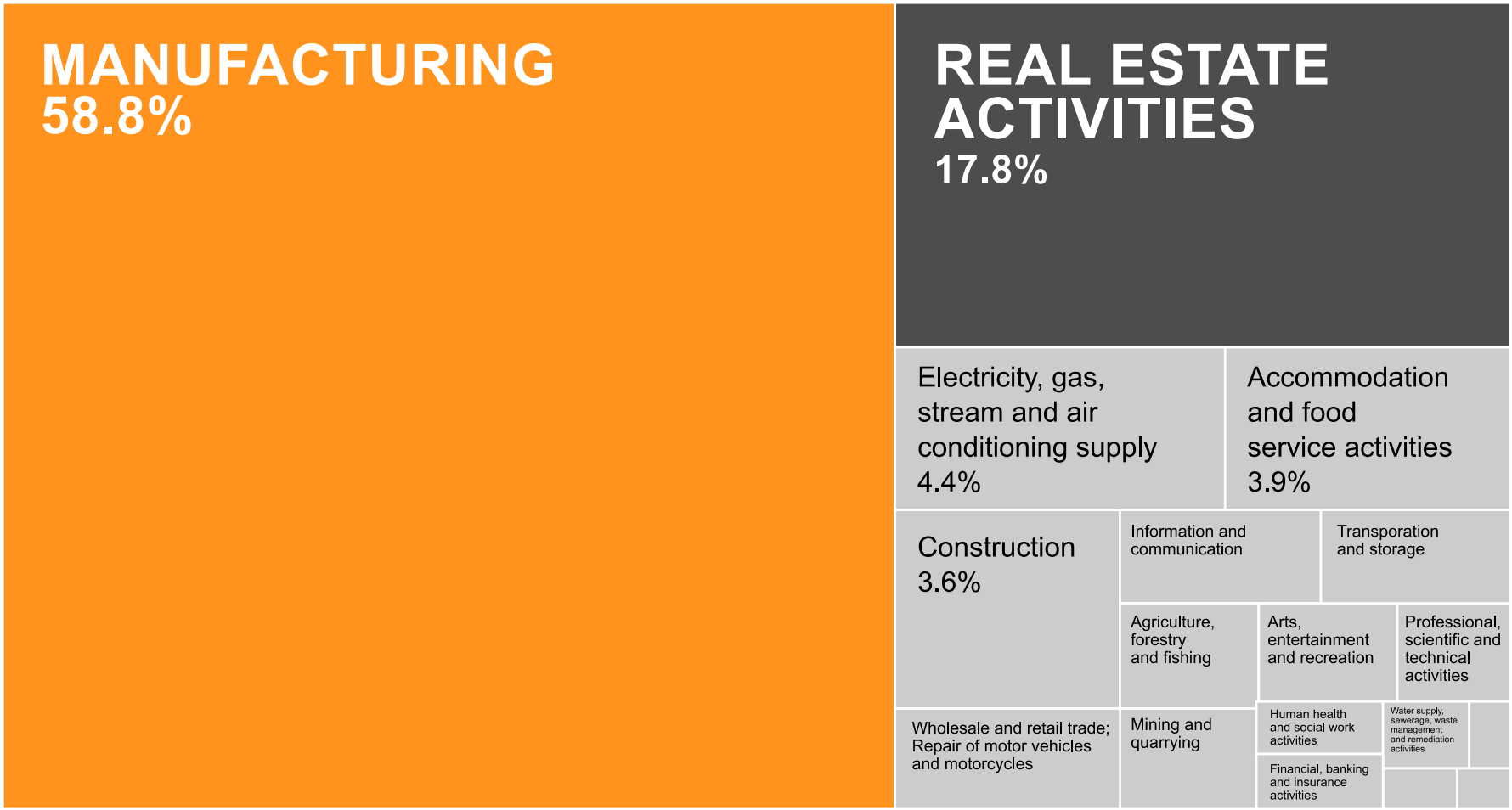
# TOP 10 REGISTERED CAPITAL (FDI) INVESTORS IN VIETNAM TO 1989 - 2016




**US $241 Bio** or **82.1%** of Vietnam FDI derived from the top 10 Countries.

Including supplementary capital to licensed projects in previous years. In 2016, including 4510.8 million USD of contributing capital and purchasing shares of foreign investors. Source: General Statistics Office of Vietnam

# VIETNAM FDI BY ACTIVITY
1989 - 2016




Including supplementary capital to licensed projects in previous years. In 2016, including 4510.8 million USD of contributing capital and purchasing shares of foreign investors. Source: General Statistics Office of Vietnam

# SGS OPPORTUNITY

- Substantial growth achieved in CRS and CBE.
  Further investment to expand our leadership position
  - New Lab and business development initiative in N. Vietnam
  - To complement the established SL and HL portfolio, SGS will invest to expand EE capabilities
  - Expand the service portfolio to cover opportunities linked to the supply chain evolution of the manufacturing sector
  - Leverage our network advantage to secure key account approvals in the investing countries including Korea, China, Hong Kong, Taiwan, Japan, US, Europe
  - Technical transfers from other NEA countries
  - Expand the SGS Training Academy to capture the emerging demands for human capital
- Opportunities linked to new infrastructure and facility projects driven by the VN Government and FDI




SGS INVESTOR DAYS HO CHI MINH CITY 26-27 OCTOBER 2017

SGS