



Corporate Vision on Business with Japan

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SCG Corporate Growth Strategies

Collaborative relationship with Japanese partners

Doing Business with Japan in the future

SCG's view on investing in Japan



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Chemicals



Cement-Building Materials



Paper



2013 - Now

1998

1983

1976

1938

1913



Distribution



Chemicals



Paper



Building Materials



Cement

270+ companies
Subsidiaries and Associates

480+ bn THB
Consolidated Revenue

100+ bn THB
ASEAN Revenue

51,000+ / 15,000+ people
Total / Overseas Staffs

GoRegional



- ✓ Population of 650 M
- ✓ GDP growth 5-6%
- ✓ Familiar market
- ✓ Low capita consumption of basic products

HighValueAdded HVA Products & Services

Commitment in R&D

- ✓ Increase customer satisfaction
- ✓ Differentiate from the competitors
- ✓ Compete on Value to Customers, not price
- ✓ Focus on commercialization

SCG's Vision:

To become

ASEAN Sustainable

Business Leader

“By the year 2015, SCG will be well recognized as an **innovative workplace** of choice, and a role model in corporate governance and sustainable development....”

Go Regional

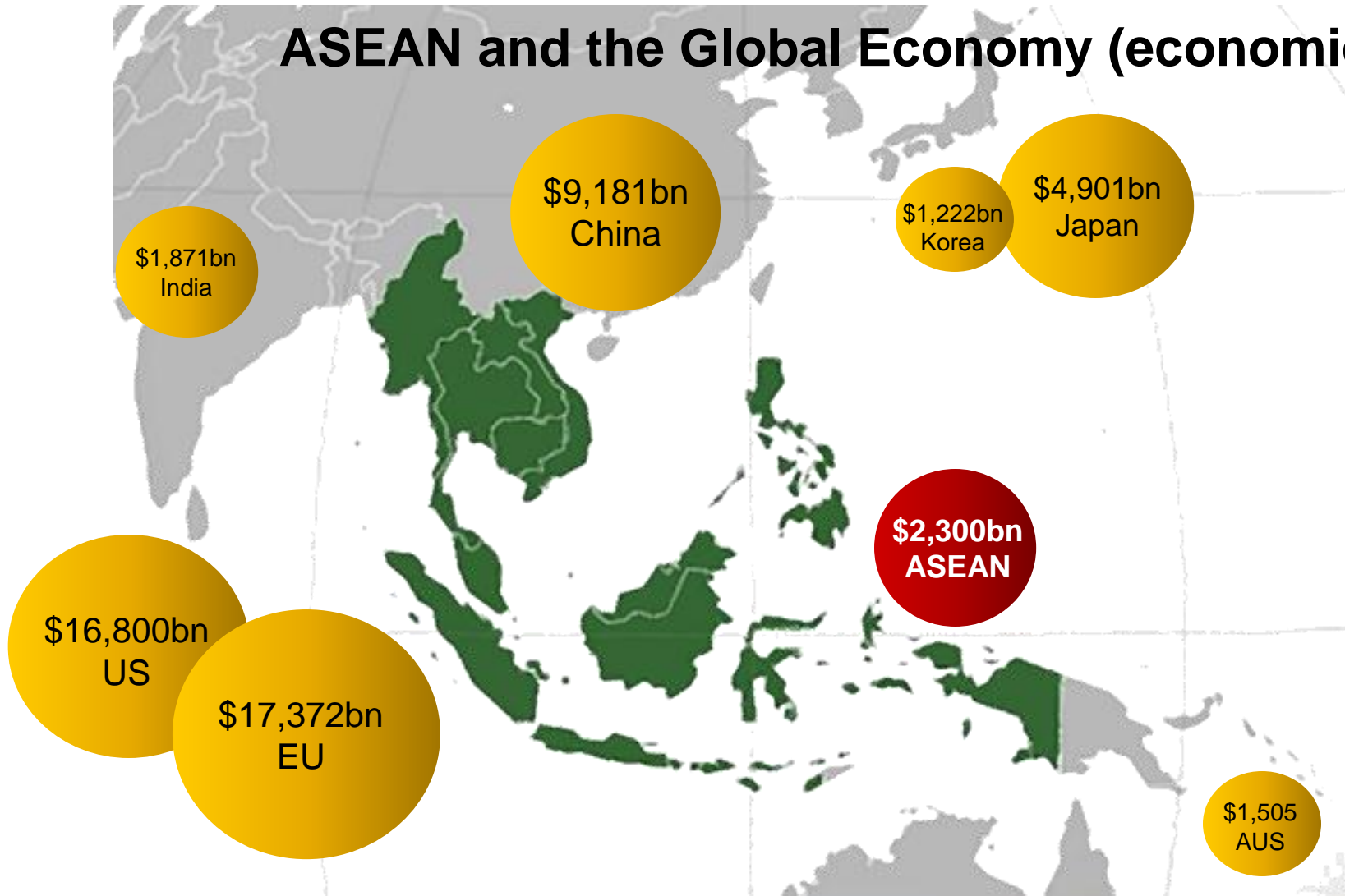


ASEAN

- ✓ Population of 600 M
- ✓ GDP growth 5-6%
- ✓ Familiar market
- ✓ Low capita consumption of basic products

ASEAN Attractiveness

ASEAN and the Global Economy (economic size)

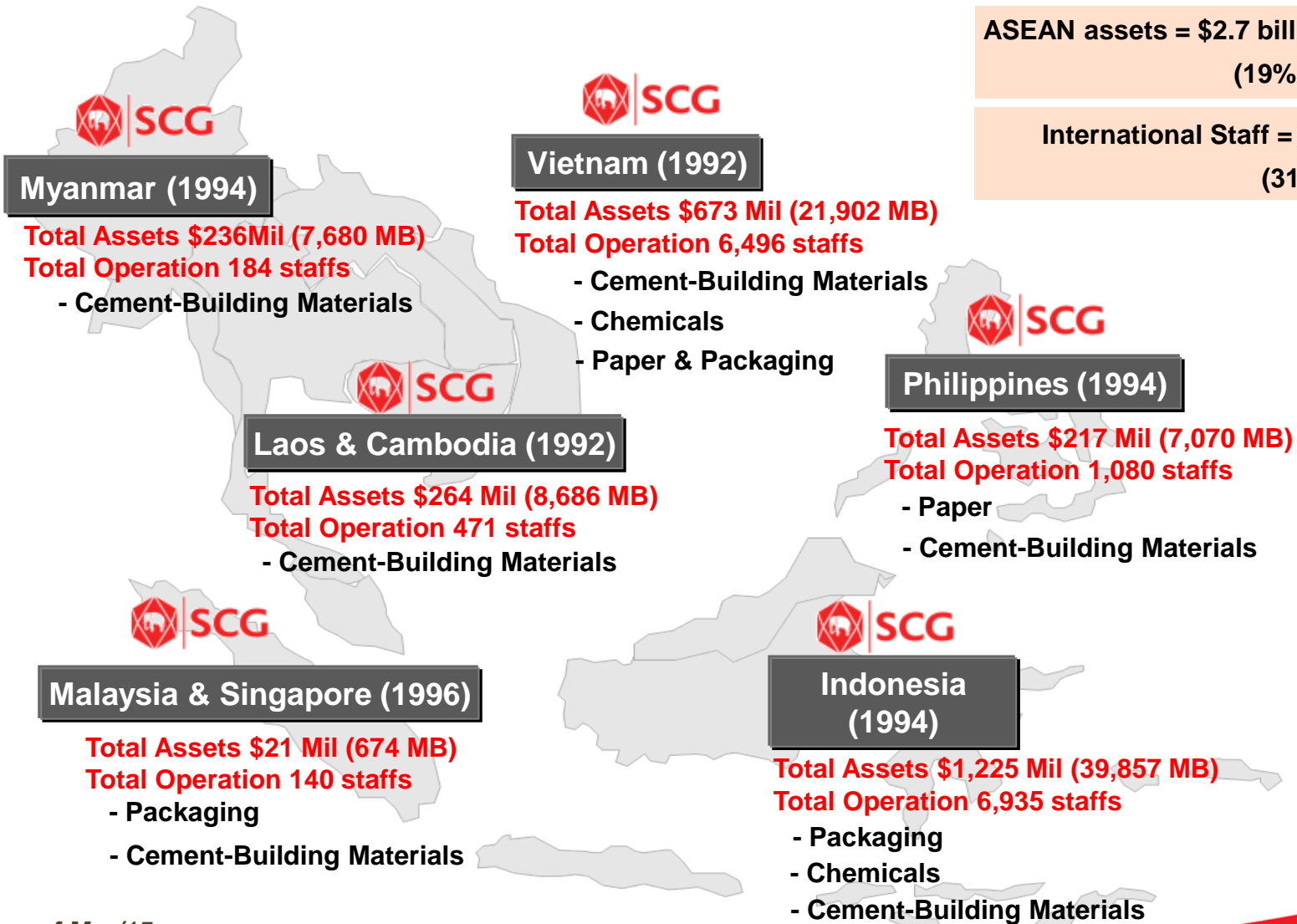


Source: [IMF World Economic Outlook, April 2014](#)

Current update of SCG Presence in ASEAN

ASEAN assets = \$2.7 billion (88,960 MB)
(19% of total assets)

International Staff = 15,744 persons
(31% of total staff)



Note: as of Mar/15

ASEAN is becoming more important to SCG

ASEAN Sales

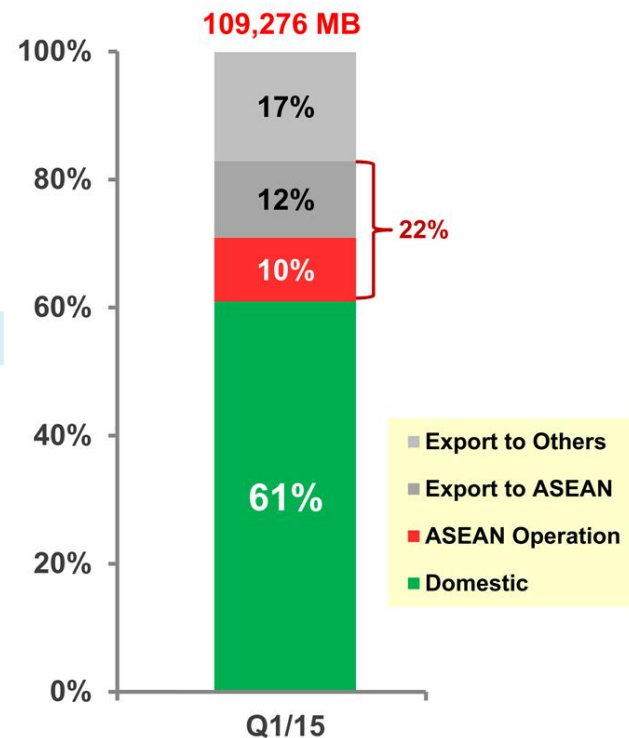


Percentage of total sales from ASEAN Operations:

3%	5%	5%	7%	7%	7%	8%	9%	9%	10%
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ASEAN Operations - subsidiaries outside Thailand
Export Destinations - from Thai subsidiaries

Sales Destinations



SCG Manpower: 51,100* persons

(Regional staff: 30% of total staff)



SCG Staff in Thailand Operations: 35,663 persons



SCG Staff in Overseas Operations: 15,437 persons



SCG International Staff: 307 persons (2% of OV Operations)

R&D and Product Design Team : 1,519 persons (PhD 104)

Indonesia 6,935

Philippines 1,080

Myanmar 184

Vietnam 6,496

Cambodia 440

Others 302



**Included Norner, Norway (SCG Chemicals)*

Norner Employee are 50 persons (45 R&D related persons with PhD 10 Persons)

*As of Mar 2015
Consolidated basis

High Value Added

HVA Products & Services

Commitment in R&D

- ✓ Increase customer satisfaction
- ✓ Differentiate from the competitors
- ✓ Compete on Value to Customers, not price
- ✓ **Focus on commercialization**



HVA: gearing toward more value to customer

HVA = High value added products and services

- 5-10% higher margin
- Performance, Solution Provider, Service & Design, and Branding

Chemicals



Paper



“Lightweight packaging solution”

“Less paper-Same strength”

“Up to 25% lighter”

Cement & Building Materials

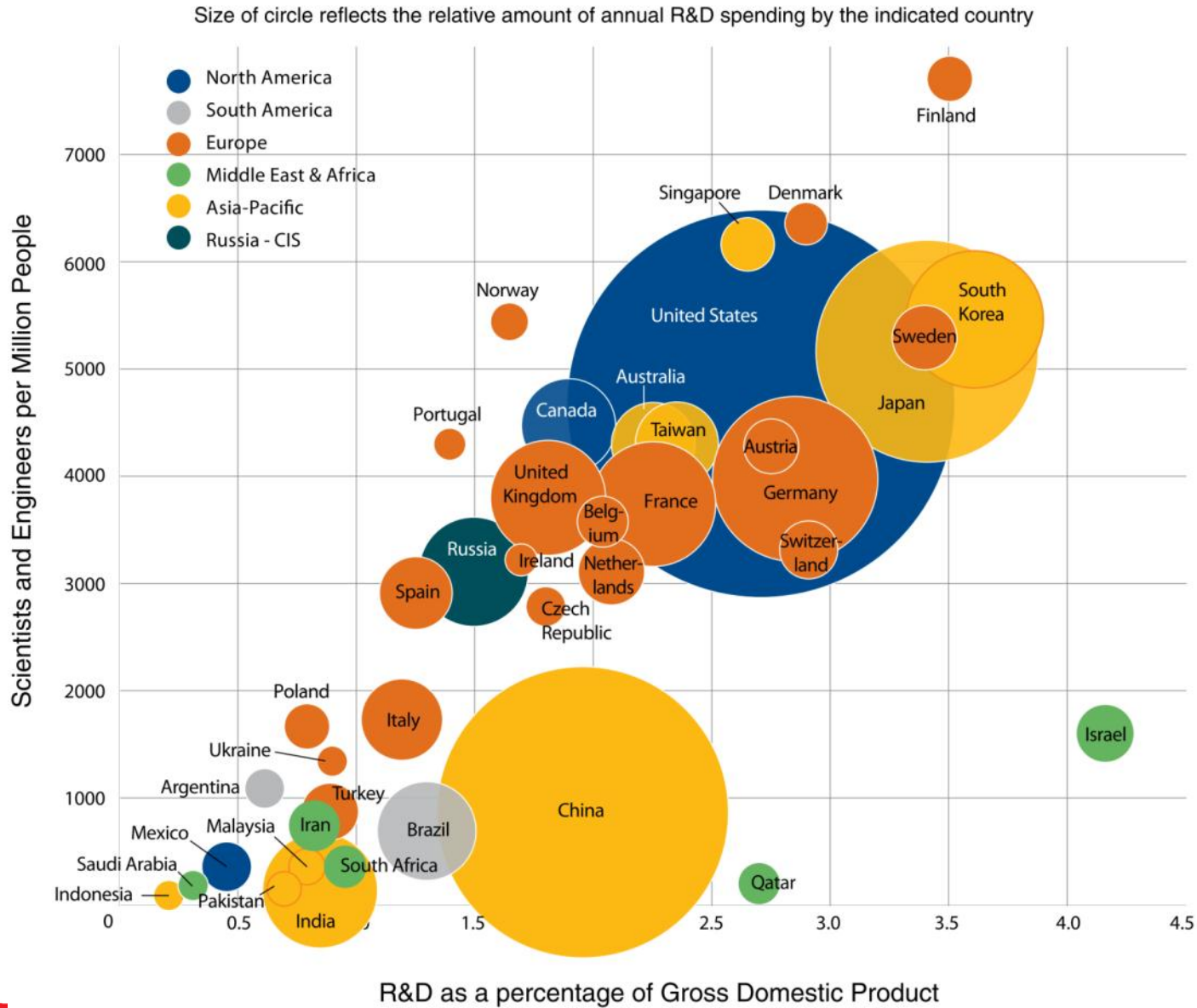


Large format ceramics



“Roofing solution”

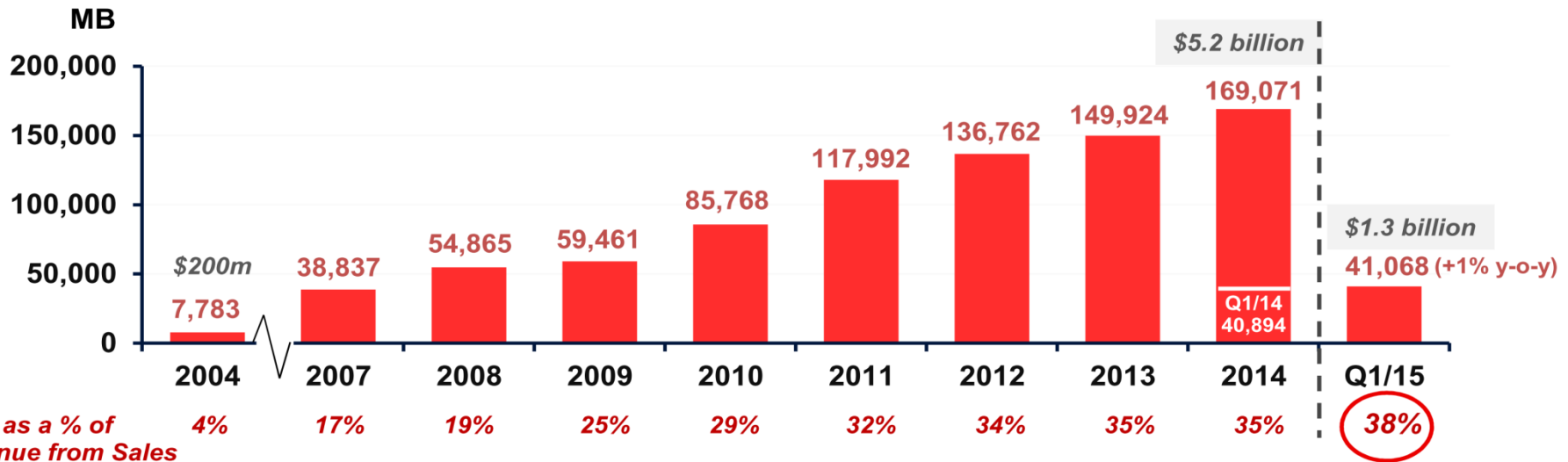
R&D and Innovation: R&D Spending by Countries



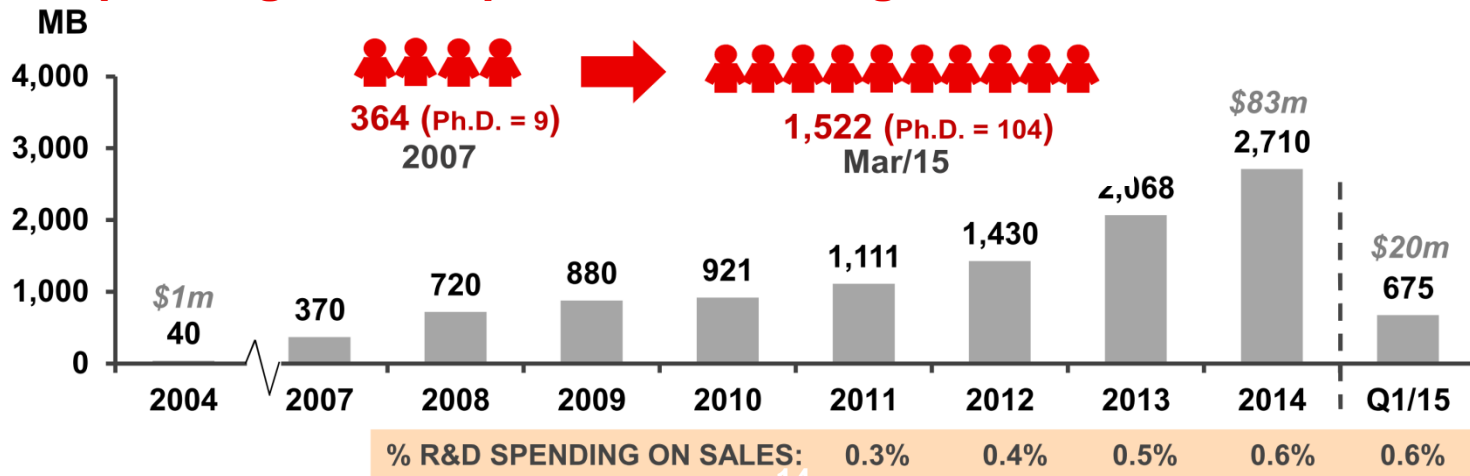
Source: Battelle, R&D Magazine, International Monetary Fund, World Bank, CIA Fact Book, OECD

Moving toward HVA, especially in Thailand

1. HVA's Revenue from Sales



2. R&D Spending, 3. R&D product and design team





SCG Corporate Growth Strategies

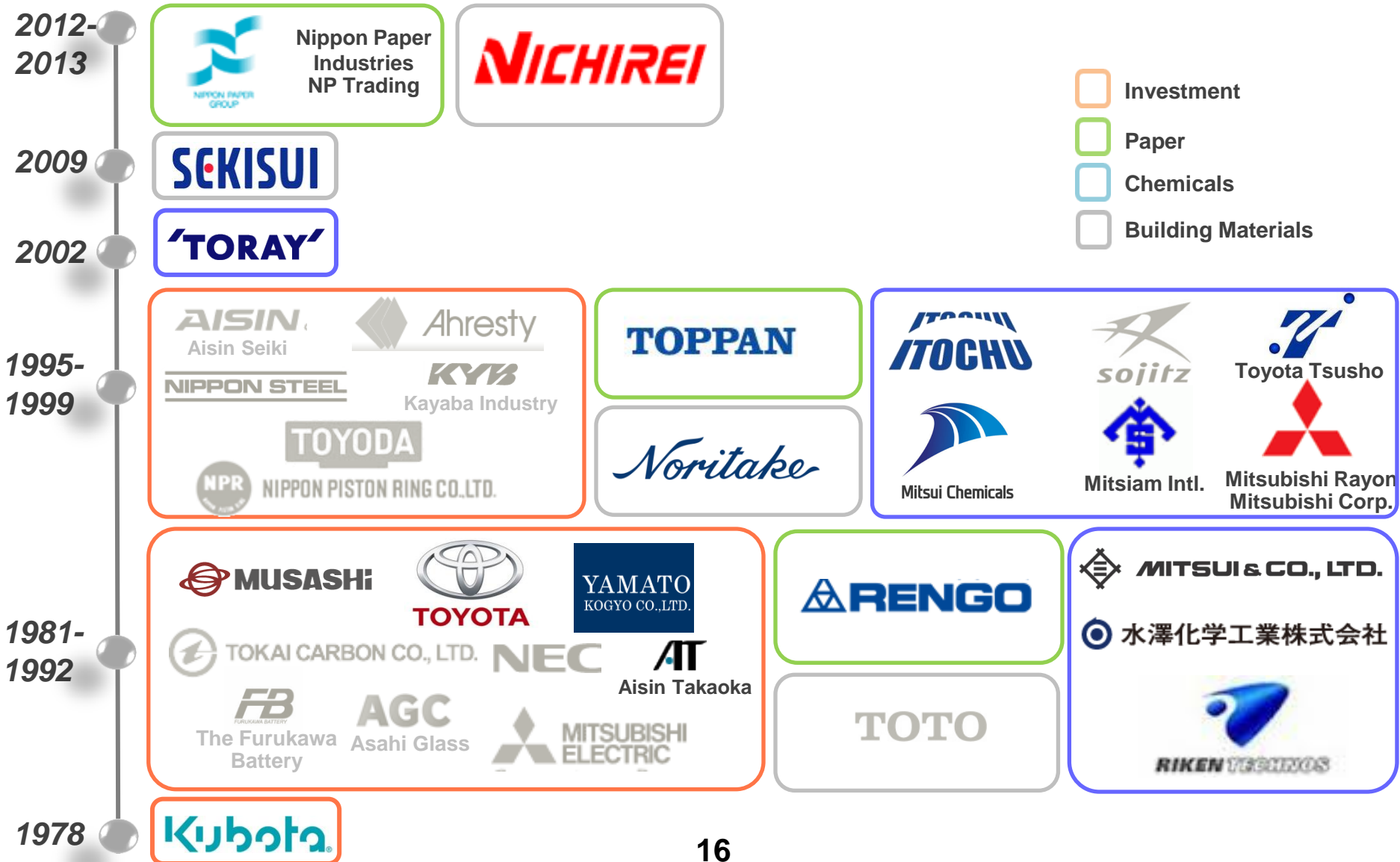
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Strong Partnership with Japanese Companies

More than 30 years of SCG-Japanese partners relationship



How to effectively establish Collaboration with Japanese Partners

1 **Develop Understanding:
Building Long-term trust**

2 **Establish Common Interests:
and Take for more value**

3 **Be Fair & Respect**

4 **Maintain Relationship:
Encourage clear communication between partners**



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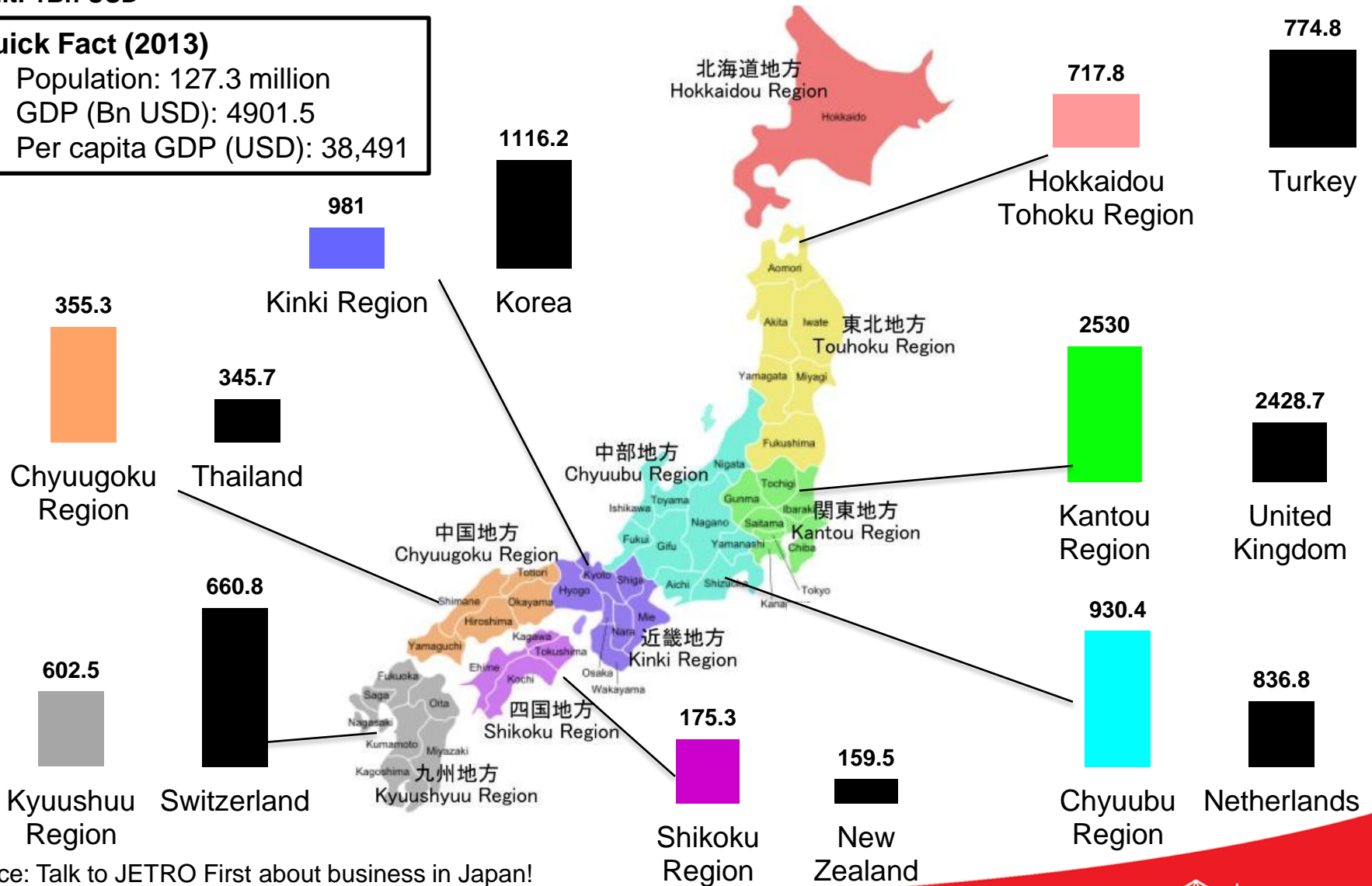
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Despite matured market, Japan is still attractive market

Unit: 1Bn USD

Quick Fact (2013)

- Population: 127.3 million
- GDP (Bn USD): 4901.5
- Per capita GDP (USD): 38,491



Source: Talk to JETRO First about business in Japan!

A role model for innovation-driven economy

Country/Economy	Rank (out of 144)	Score (1-7)
Switzerland	1	5.70
Singapore	2	5.65
United States	3	5.54
Finland	4	5.50
Germany	5	5.49
Japan	6	5.47
Hong Kong SAR	7	5.46
Netherlands	8	5.45
United Kingdom	9	5.41
Sweden	10	5.41

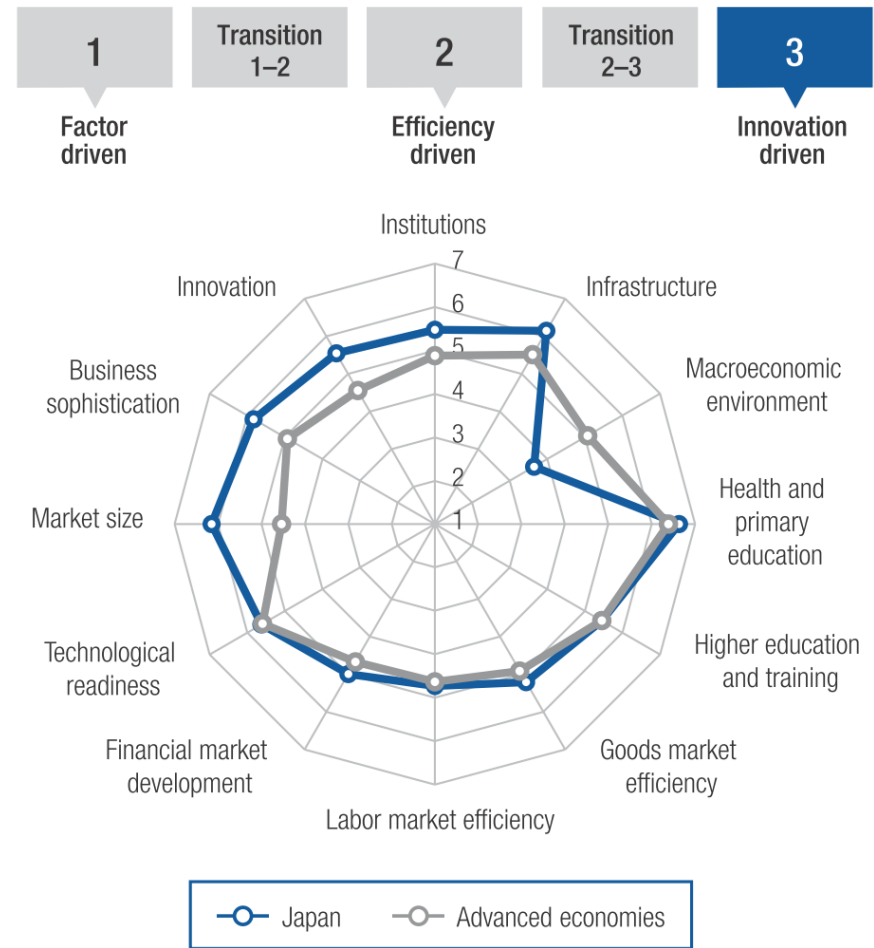
The key driver for this high ranking are

- Its business sophistication (1st rank)
- Innovation factors (4th rank)



This effectively showed that Japan is innovation-driven economy

Stage of development



Japan exceed average advanced economies in most aspects of development

Source: Global Competitiveness Report 2014 – 2015 (WEF)

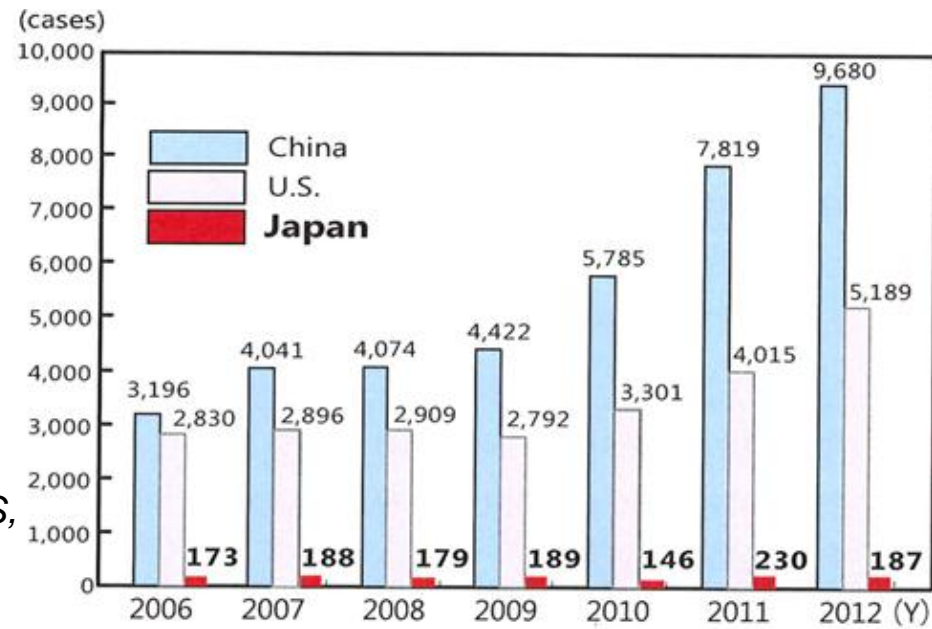
Japan has good history regarding innovation

Comparison of R&D Expenditure among G8 countries

Rank	Country	% of GDP	Research expenditures (100M USD)	FY
1	Japan	3.67	1,636	2012
2	Germany	2.88	931	2011
3	United States	2.77	4,152	2011
4	France	2.24	519	2011
5	United Kingdom	1.77	396	2011
6	Canada	1.74	243	2011
7	Italy	1.25	248	2011
8	Russian Federation	1.09	350	2011

Highest amount of R&D expenditure in G8 group

Relatively low number of lawsuits related to IP (patents, utility models, designs) in Japan, the US, and China



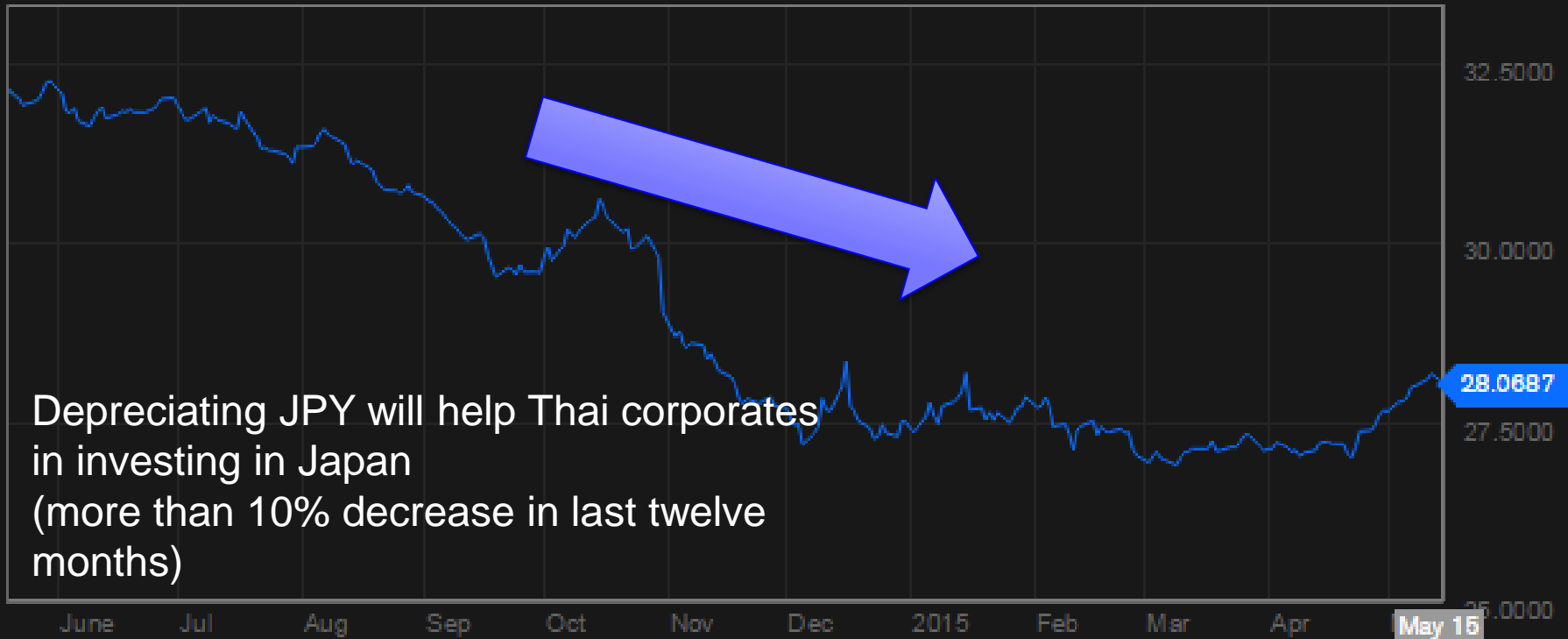
Source: Talk to JETRO First about business in Japan!

Japanese Yen is depreciating

JPYTHB:CUR 28.0687

Compare

1D 1M 1Y



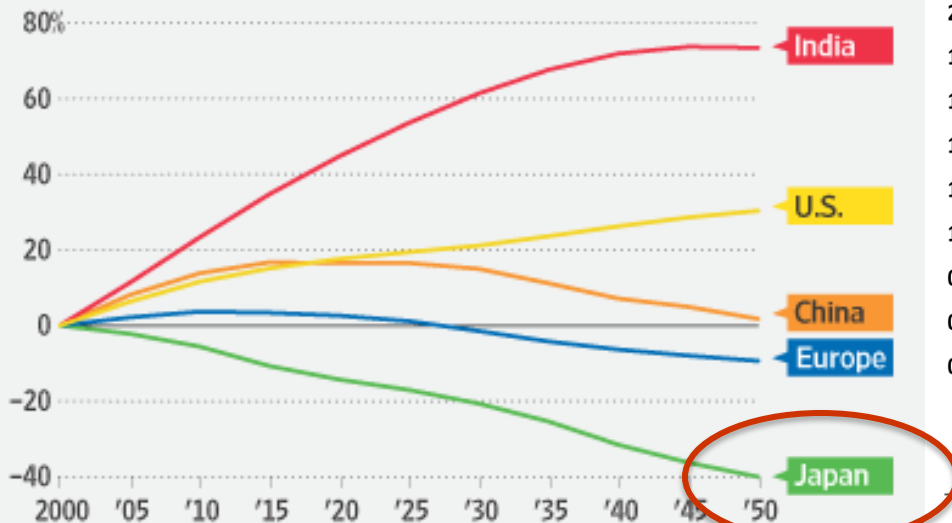
Source: www.Bloomberg.com

Thailand is following aging society path of Japan

Japan working age population is declining since 2000

Rise and Fall

Cumulative change in the size of the working-age population, defined as those 15-64 years old

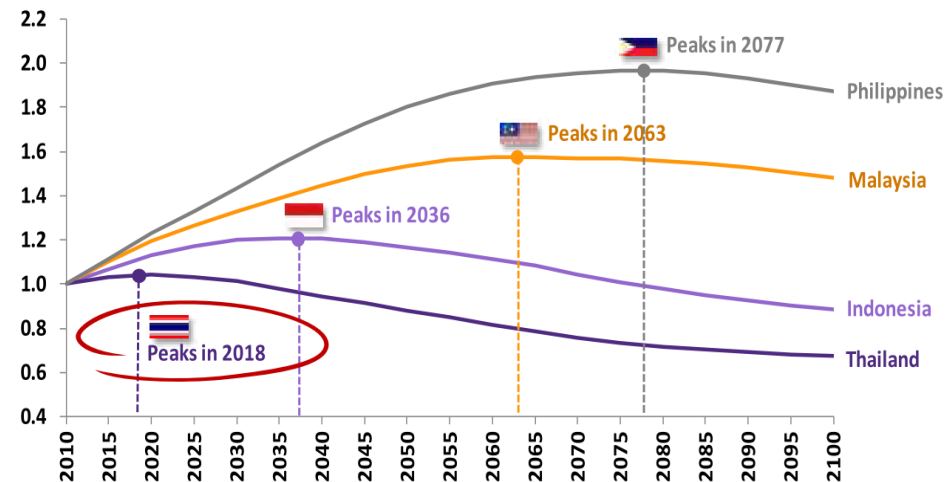


Note: Data for Europe exclude Russia
Source: United Nations Population Division

...and Thailand is going in the same path in the years to come

Elsewhere in ASEAN, human resources will grow steadily for decades

Forecast of working-age population in select ASEAN countries (index: 2010=1)



Note: Working population is defined as those aged 15-65.

Source: EIC analysis based on data from World Bank, NSO, and US Census

Hence, Thailand can learn how to cope with aging society from Japan



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Our take on investing in Japan

- Looking for value company – one that fits our strategic rationales
 - Acquiring medium – or small – sized technology companies
 - Collaborating to extend technology in ASEAN
- SCG's case studies of investing in technology firms in developed countries (but with some issues of culture differences)
 - GTC - Technology firm in the USA
 - Lysando – Technology start-ups in Liechtenstein
 - Norner – Pool of R&D expertise and chemicals IPs
 - Centre of Excellence in Chemistry at University of Oxford

SCG's 25% acquisition of GTC Technology USA in Oct 2009

... a leapfrog to increase technology business capability for SCG Chemicals



Business Overview

- **Technology Licensing**
 - Petrochemicals: BTX Extraction, Styrene Process, C5's
 - Refinery: Light naphtha isomerization
- **Engineering Services**
 - Basic engineering packages
 - Front-end engineering design
- **Process Equipment Technology**
 - Process design for optimization
 - Distillation tray design
- **Chemicals & Catalysts**
 - For GTC-licensed technologies such as xylene isomerization catalyst and chemical absorbers

Collaborative Programs of SCG-GTC

- Co-development of R&D such as new aromatic extraction technology for petrochemical process
- Employee exchange program
- Bi-annual technical committee for technology update

Invest in New Growth Area - Biotechnology

Partnering with Global high-technology business start up

LYSANDO
L I F E S A V I N G P R O T E I N S

Technical Consultants:

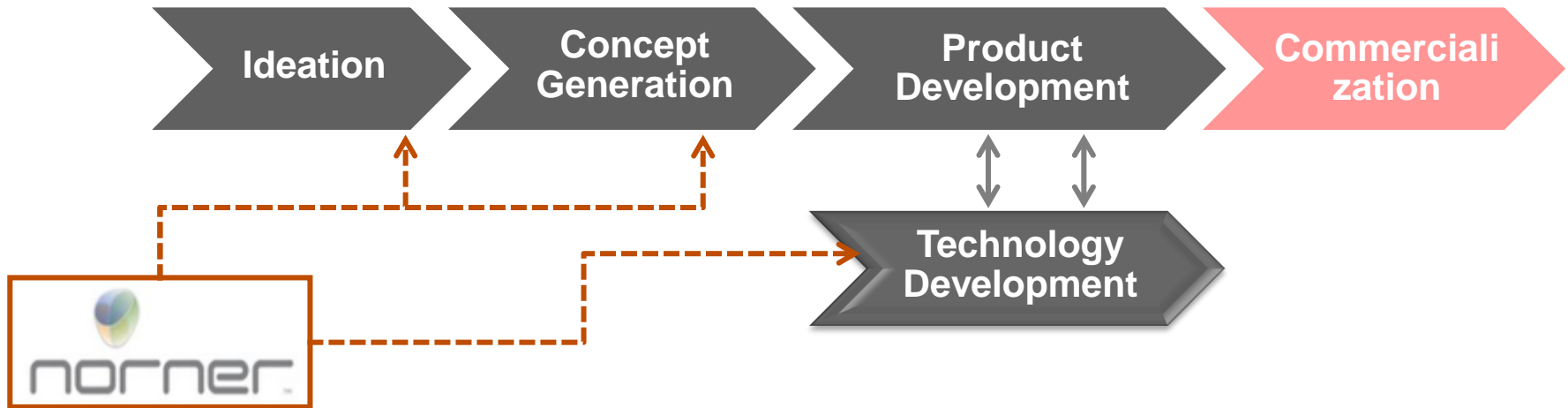
- Gifu University (Japan)
- KU Leuven (Belgium)
- Several non-disclosure partners

- ✓ **Functional Protein**
- ✓ **Antimicrobial Property**
- ✓ **Strong IP portfolio**

Deal completed 2013

Acquiring Technology Leading Organization

key enabler to uplift R&D competency for petrochemical



- Spun-off R&D from Borealis (top 5 polyolefins producer) since 2007
- 50 scientists and researchers with avg. 35 years experience, including 10 Ph.D
- Integrated R&D facilities including plastic conversion machine
- More than 400 customers base worldwide

Deal completed 2014

Access to Large Pool of World Class Researchers

Setting up Center of Excellence to pursue breakthrough technologies



Centre of Excellence in Chemistry

- **4 Professors**
- **10 Researchers**
- **18 Patent applications**
(10% of University of Oxford filing last year)

Polymerization Catalyst

- ✓ New to the world ligand
- ✓ New platform for polymerization
- ✓ This platform is under testing by SCG

Nano-materials

- ✓ Leverage opportunity in specialty market such as catalyst.
- ✓ 1st Pilot plant will start up at the end of 2016

SCG Innovation Fund

- ✓ Capture early stage of new breakthrough
- ✓ 11 proposals have been granted last year

- More collaborative opportunities in the closer time zone
 - Even a chance to establish exchange program between employees in Thailand and Japan
- Higher chance to engage in long-term relationship
- Less different culture
- Opportunities to set up center of excellence
- Leverage competent human resource pool to expand business both **within** and outside Japan



There are no other times in the history that Japanese market is more open than it's now.

Attractive market with strong competitiveness

Strong R&D and innovation record

Depreciating Yen will make it easier to invest in Japan

Capture opportunities for future of Thailand

Thank You
