II-VI in Vietnam
September 29, 2011

By Kevin V. MacGibbon
President of II-VI Vietnam
AGENDA

• About Vietnam and the People
• Why II-VI to Vietnam
• Real World II-VI in Vietnam
Heart of East Asia
Near China,
India,
Singapore,
Hong Kong,
Malaysia,
Thailand ...

⇒ Convenience in trade with other countries
HISTORY IN BRIEF

- 111 BC - AD 939: Chinese Domination (1000 years)
- 1858-1954: French colonization
- 1954-1975: North-South war
- 1975: North-South Unified
- 1986: Implement Renovate Policy
- 1991: America omit embargo
- 1995: ASEAN Member
- 2006: WTO Member

Long period of time under war → Love peace
SOCIAL-CULTURAL

**Total area:** 329,560 sq km
- Land: 325,360 sq km
- Water: 4,200 sq km

**Land boundaries:** Total: 4,639 km
- Border countries: Cambodia 1,228 km, China 1,281 km, Laos 2,130 km

**Coastline:** 3,444 km (excludes islands)

**Population:** 87,375,576 (13th)

**Population growth:** 1.14%

**Birth rate:** 0.3 per 1,000

**Sexual ratio:** male: 49%, female: 51%

**Administration:** 64 provinces (Capital: Ha Noi)
Quick Glance

Hanoi
Capital
pop 3,699,205

Ho Chi Minh City
The Business City
pop 6,960,612
Quick Glance

Red River Delta
pop 21,200,000*

Mekong Delta
pop 19,800,000*

Rural communities in the most densely populated regions of Vietnam

*estimate population
Vietnam is a truly diverse country...

- **Hue**: Royal Citadel & Nguyen dynasty tombs
- **Hoi An**: Colonial architecture & ancient temples
- **Dalat**: Hill-station surrounded by mountains & waterfalls
- **Sapa**: Hill-tribe communities
- **Mekong Delta**: Rural communities
- **South East Coast**: Beach resorts & sand dunes
- **Red River Delta**: Rural communities
CULTURE

• Strongly influenced by Chinese ideologies and religious beliefs, namely Confucianism, Taoism and Buddhism. *Vietnamese is not Chinese*

• Wet rice and timbal Cultural

➤ Business style: comfort better than pride
LANGUAGE, CURRENCY, TIME

- The Vietnamese uses alphabet (Latin) which has the following 29 letters as National letters (by Alexandrode).

- Different tones among provinces and regions.

- Foreign language: English and French are more popular than others.

- Vietnam Currency: VND 20,600VND/USD.
PHYSICAL VALUES

- Avoid physical contact between opposite sexes; hugging or kissing in greetings is not usual
- Unfamiliar with body language
- May not look in the eyes of others; do not use hand gestures
- Unfamiliar with group working; prefer to work independently
- Punctuality: Rubber-time
MENTAL BEHAVIOR

• Vietnamese are quiet and attentive
• Good at memorizing and following directions
• Rely on printed information
• Self-respect and saving face
• Shy away from oral skills
• Conservative and feudal thought
• Scared of Government; hesitate to talk about politics
EDUCATION

• High literacy ratio : 98%
• Many and diversified universities and colleges (almost all located at HCMC and HN)
• Quickly comprehend new technology

Vietnam has an extensive state-controlled network of schools, colleges and universities, but the number of privately-run and mixed public and private institutions is also growing.
INFRASTRUCTURE

• Road
• Aviation
• Marine
• Telecommunication
• Hi-tech
• Electricity Power

➔ Backward and Deficiencies at best
TECHNOLOGICAL

• In the north
  – Ship building
  – Fine art
  – Refine steel
  – Motorcycles

• In the south
  – Silver and gold jewelry
  – Textiles
  – Paper
ECONOMY

STRENGTH

• High Growth Rate
• Privatization Firm Reformation
• FDI increase yearly
• Big Population (with low cost labor), but not that big
• Household Consumer increase
ECONOMY

WEAKNESS

• Positive Net Export
• Unstable Legal Framework
• Lack of Long Vision
• Lack of Top Management
• Lack of Skilled Work Force
• Weak Infrastructure
ECONOMY

OPPORTUNITIES

• WTO Member
• Open Economic Free Market
• Government Commitment Support to abroad investment
• Globalization Era
ECONOMY

» THREAT

• Next to China and India (competitor)
• Poor Education Quality
• Foreign Expert come to Vietnam
• Unstable World Market
POLITICAL

• The Socialist Republic of Vietnam

• The Communist Party of Vietnam

• Election
YOUNG GENERATION (AFTER 8X)

- Creative-dynamic
- Focus on studying; respect high qualifications and want to become rich
- Western thinking
- Young population
WHY DID II-VI MOVE TO VIETNAM?

• Availability of labor at low cost
• Ability to better protect IP
• Spread our risk in Asia
• Western thinking government
• Young working population
STRATEGIC OBJECTIVE (VIETNAM)

• Low cost, high volume, and quality thermo-electric manufacturing

• Material, modules, systems, value added assembly
BEST OF BOTH WORLDS

Located in Binh Duong Province
• 17km from Ho Chi Minh City

Close proximity to Ho Chi Minh City’s infrastructure, logistics network, amenities & supporting services
MARLOW INDUSTRIES/II-VI VIETNAM

Vietnam Singapore Industrial Park (VSIP)

VSIP Site Selection:

- Reports directly to Vietnam Prime Minister’s Office.
- VSIP represented in Singapore via Sembcorp Parks Management.
- Presence of Vietnam Singapore Technical Training Center.
- Transparency and protection in conducting business.
- II-VI track record with Singapore managed parks.
  - In China and Singapore
- On-site government approval authority.
- Available labor pool.
MARLOW / II-VI VIETNAM

Front End & Modules
Value Added Assemblies

ISO 9001:2008 Certified
VALUE ADDED ASSEMBLY LINE
LARGE MODULES ASSEMBLY LINE
SINGLE STAGE ASSEMBLY LINE
REVENUE DATA

![Revenue Data Chart]

- **Years:** 2006 to 2013
- **Legend:** Revenues
YTD REVENUE CONTRIBUTION (% Mkt)

- MARLOW: (35,44%)
- INDUSTRIAL: (10,1%)
- TELECOM: (21,23%)
- AUTOMOTIVE: (8,09%)
- MEDICAL: (21,74%)
- GESTURE: (3,0%)
- POWER: (0,47%)
EMPLOYEE DATA

Employees by Age

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<tr>
<th>Age Range</th>
<th>TEM</th>
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<tr>
<td>18</td>
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<td>18 -&gt; 21</td>
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<tr>
<td>22 -&gt; 25</td>
<td>224</td>
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<tr>
<td>26 -&gt; 30</td>
<td>180</td>
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<td>31 -&gt; 35</td>
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<td>36 -&gt; 40</td>
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<tr>
<td>&gt; 50</td>
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EMPLOYEE BY JOB GRADE

- G&A: 43
- Indirect: 112
- Operators JG1: 9
- Operators JG2: 214
- Operators JG3: 230
- Operators JG4: 20
## EMPLOYEE DATA

### Employees LOS

<table>
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<tr>
<th></th>
<th>&lt;= 1mth</th>
<th>&gt; 1mth</th>
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<td>10%</td>
<td>6%</td>
<td>6%</td>
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36
EMPLOYEE DATA

Employees by gender

- Male: 30%
- Female: 70%
EMPLOYEE DATA

Employees Degreed

- High school: 65%
- University: 11%
- College: 2%
- Intermediate: 2%
- < High school: 20%
EMPLOYEE DATA

Employees by native

- South (Others province): 223 (35%)
- Middle: 154 (25%)
- North: 138 (22%)
- Binh Duong: 115 (18%)
## YTD - EMPLOYEE TURNOVER

### TO by Voluntary vs Involuntary

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<tr>
<th>Category</th>
<th>Voluntary</th>
<th>Involuntary</th>
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### TO by Category

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<th>Sep-10</th>
<th>Oct-10</th>
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### TO by Month

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<th>Oct-10</th>
<th>Nov-10</th>
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<th>Jan-11</th>
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<td>665</td>
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<td>639</td>
<td>628</td>
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<td>% TO monthly</td>
<td>7.5%</td>
<td>7.2%</td>
<td>5.6%</td>
<td>3.2%</td>
<td>2.1%</td>
<td>2.3%</td>
<td>2.4%</td>
<td>2.3%</td>
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<tr>
<td>% Cum</td>
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<td>32.4%</td>
<td>35.5%</td>
<td>38.5%</td>
<td>40.7%</td>
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</table>

Average 3.7%
QUALITY ESCAPING PPM

TEM YTD : 62 ppm

End of FY10

Target: 900 ppm

Target: 500 ppm

Target: 470 ppm

Target: 62 ppm
ISSUES TO BUSINESS

• Do not think like an American
  – Understand the culture
  – See things from their point of view
  – Be willing to change to help them
  – Give clear direction in writing
  – Be flexible
  – Look at the big picture
  – Hold them responsible to developed goals
ISSUES TO BUSINESS

• Governmental
  – Change in Corporate tax
  – Change in minimum wage

• Skills
  – Must break jobs down to lowest level
  – Work retention with IDL

• Supply Chain
  – Need to develop suppliers
Thank You