

### **Sumitronics provides EMS function to Japanese manufacturers even for small-lot, multi-variety production**

As the digitization of products accelerates with technological innovations in electronic equipment and components, product cycles are becoming shorter, and the burden of investment in production machinery weighs heavily on manufacturers. With this as a background, a new type of outsourcing business called Electronics Manufacturing Service (EMS) is currently attracting attention.

EMS is a service that undertakes the entire process of planning, development, design, prototyping, component procurement and production of products through collaboration between various suppliers, each with its own special expertise.

Appointing an EMS company allows set makers to shift from the current vertical integration process—which requires each set maker to undertake all the product creation operations—to a horizontal specialization process,

and they are now actively adopting an EMS company as a new management technique to streamline and enhance the efficiency of their businesses, and as a strategy to win in the increasingly intensified competition in the market.

In Japan and other countries where consumer markets have already matured, consumer values are rapidly diversifying, product quality and cost competition are very severe. Japanese set makers are focusing on small-lot, multi-variety production to meet the requirements of the market, but there are very few EMS companies that can quickly and flexibly support the development of short-cycle products and respond to fine specification changes.

However, as a company in the Sumitomo Corporation Group that has supported Japanese manufacturers in a multi-faceted manner until today, Sumitronics offers a business model encompassing all the procurement, logistics and assembly functions required by Japanese set makers, and provides EMS solutions that realize just-in-time (JIT) delivery based on detailed customer production plans. In addition to promoting streamlined and efficient

Performance

4

## **Optimizing Global Supply Chains**

# EMS Creates New Value Chains in the Electronics Industry

In the electronics industry, the demand for EMS is rising among manufacturers to establish a horizontal specialization system based on collaboration between various suppliers, and thereby increase the efficiency of the entire process from design to production. Sumitronics, a member of the Sumitomo Corporation Group is an EMS company that provides total support to customers for their design, procurement and production operations, and helps them create and optimize global supply chains.



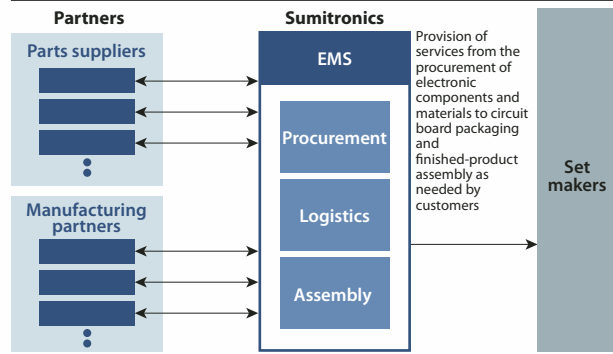
production processes, Sumitronics also supports customers in optimizing their global supply chains in Asia and other regions by collaborating with various suppliers to undertake strict quality control, reduce the environmental impact of their factories, and develop appropriate working environments, among other operations.

**A worldwide network with more than 1,000 suppliers**

Sumitronics was established in Singapore in 1988 as the first fully-fledged Japanese trading company specializing in electronic components. Since then, the company has expanded its group network by opening offices in Thailand, Hong Kong, Indonesia, China, the Philippines, Vietnam and other Asian countries, Japan, and North America. In collaboration with numerous parts suppliers and more than 30 manufacturing partners responsible for circuit board packaging and finished-goods assembly, the company has built a value chain that fully supports customers in their efforts to boost competitiveness. In addition, the company also promotes optimization of parts

inventories and reductions in the cost of purchased goods by networking circuit board assembly companies and unit and finished-goods assembly factories and centrally controlling the entire process within the network. The company's own 14 overseas offices also strongly support customers' advances into foreign markets.

**EMS business structure**



# Electronics Manufacturing Service



EMS Creates New Value Chains in the Electronics Industry

IN FOCUS

Control of quality throughout the entire supply chain

Thorough quality control in cooperation with partners

Sumitronics has formed a global network with more than 30 manufacturing partners and more than 1,000 parts suppliers based in and outside Japan. To support the enhancement of quality control in these partner companies, Sumitronics established a Quality Control Division in Shenzhen, China, in 2004, where about 30 staff members are working together with suppliers in each region to ensure thorough quality control over the company's entire supply chain. In addition, Sumitronics measures the performance of each supplier according to the five criteria—quality, cost, delivery, environment and management (QCDEM)—using its own checklists, and feeds back the results to suppliers to encourage their voluntary commitment to quality.

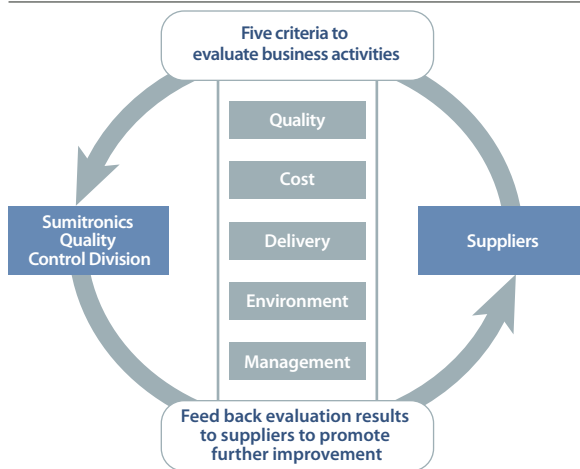
To respond to any defects in products quickly and correctly, Sumitronics has also developed its own traceability system and database of parts lot numbers and inspection data for each production process. The system and database allow the company to immediately identify when and where the defective product was manufactured, and take corrective measures.



Feedback of QCDEM evaluation results

\* QCDEM evaluation results: Quality, Cost, Delivery, Environment, Management evaluation results

Sumitronics' own QCDEM evaluation



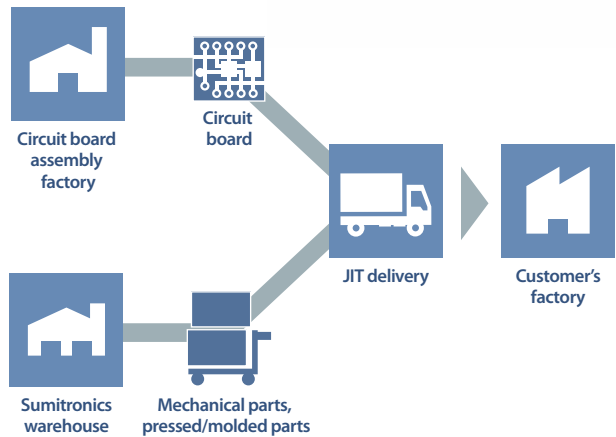
Financial, tax and legal support for customers

To successfully relocate factories overseas, it is very important not only to secure parts suppliers and a logistics network, but also to meet the complicated financial, legal and other requirements that vary between regions and countries.

Sumitronics provides a wide range of financial, tax and legal support services, such as bond and tax exemption schemes, and complicated foreign exchange and overseas transfer, by fully utilizing the expansive network, deep knowledge and technical expertise that only a general trading company with a variety of overseas business experiences can offer.

Sumitronics also operates bonded warehouses at various locations around the world, and ensures that electronic components, mechanical parts and other products procured from suppliers and imported under bond are stored under optimum conditions in the fully air-conditioned special warehouses after completion of acceptance inspections. By establishing a logistics system that enables the timely delivery of the necessary quantity of products, the company helps reduce the workload of customers required for import customs clearance and tax exemption procedures.

Reduction of inventories through the operation of tax-exemption and bonded warehouses and the achievement of JIT delivery

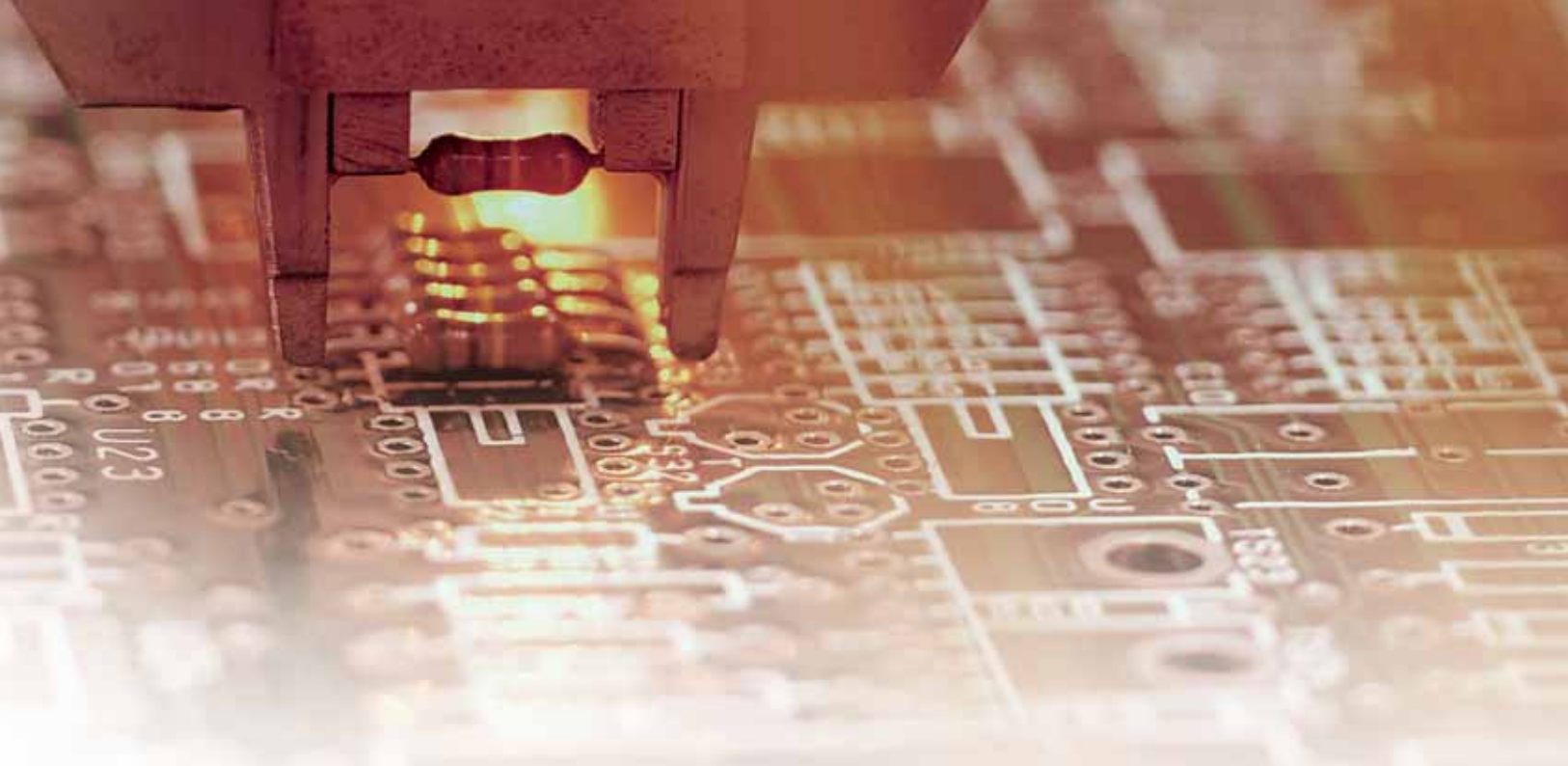


IN FOCUS

Contributing to the local community

Active recruitment and appointment of local staff

Workers in local offices and joint venture circuit board assembly factories are recruited in accordance with the local laws and regulations to encourage the localization of the subsidiaries established in each country. These efforts contribute to the creation of employment and vitalization of the local economy. Each overseas location also has a fair personnel treatment system and a safe and comfortable working environment in place.



**Joint venture factories for high-speed and high-density packaging that meet the complex needs of customers**

High-density packaging technology is becoming increasingly important to meet the high function and downsizing trends of mobile information terminals and other IT and communications devices. In addition to expanding its network with manufacturing partners including circuit board assembly and finished-goods assembly factories, Sumitronics has also established joint venture circuit board assembly factories in the U.S., Mexico, Thailand, the Philippines and Indonesia. Through these factories, each with skilful technicians possessing sophisticated technical know-how, Sumitronics offers products that satisfy the most detailed needs of customers.



Pre-work meeting

**Contribution to development of both customers and suppliers under CSR management of the Sumitomo Corporation Group**

While engaged in the EMS business globally, Sumitronics is continuously in pursuit of the ideal value chain that promotes the development of both customers and local suppliers.

In recent years, the greater commitment of companies to corporate social responsibility (CSR) throughout their supply chain—such as reducing the environmental impact of their production activities, and creating safe and comfortable workplaces for their workers—is becoming indispensable. Sumitronics has been doing business under the Environmental Policy and various other CSR management mechanisms of the Sumitomo Corporation Group for many years, and continues to ensure that the EMS business, which involves many suppliers in a complex manner, is controlled appropriately to optimize the company’s global supply chain.

**IN FOCUS Compliance with the environmental regulations of each country**

**Reducing the environmental impact of production and logistics**

Sumitronics is working in collaboration with set makers and suppliers to tighten control over the use of chemical substances in compliance with the Restriction of Hazardous Substances (RoHS) Directive and the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) Regulation enforced by the European Union (EU) in 2006 and 2007, respectively.

In addition, the milk run method of transportation, which makes one vehicle go around several locations, has been adopted in the way JIT delivery is implemented. With this method, the required number of transportations by vehicle can be reduced, and the emissions of CO<sub>2</sub> at the time of delivery are also expected to decrease accordingly.

**Delivery by the milk run method to reduce CO<sub>2</sub> emissions**

