

GROWTH

SELECTING SOLECTRON

Solectron Production System™ (SPS): The Customer Choice for Supply Chain Excellence

Marc Onetto
Executive Vice President, Operations

THE SOLECTRON 2005 INVESTOR FORUM



The Customer Choice for Supply Chain Excellence

Agenda

**The Soletron Production
System™ (SPS) Vision**

We Delivered

Next Steps

SPS™: Foundation for Growth

Soletron

Lean Manufacturing and Fulfillment

Extended Supply Chain Management

Product Design & Launch Support

Product Stewardship
Product Design
Collaborative Design
Product Launch/Network
DfX Engineering Services
System Integration

Manufacturing Fulfillment

Soletron Production System™ (SPS)
Soletron Supply Chain Solutions Suite™
Culture of Continuous Improvement
Global Network For Lowest Landed Cost

Post-Manufacturing Services

Recall Management
Parts Management
Forward Reverse Logistics
Recall/Remarketing
Warranty Support
Feedback Loop to Product Design

Solectron

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...The SPS™ Vision...

Solectron Production System™ (SPS)

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Electronics Industry

Classical State of Imbalance

Mismatch Between 'Customer Needs'
and 'Supply Chain Capability'...

New Product Launch...
Every 6 months

FAST
Innovation

slow
Supply Chain

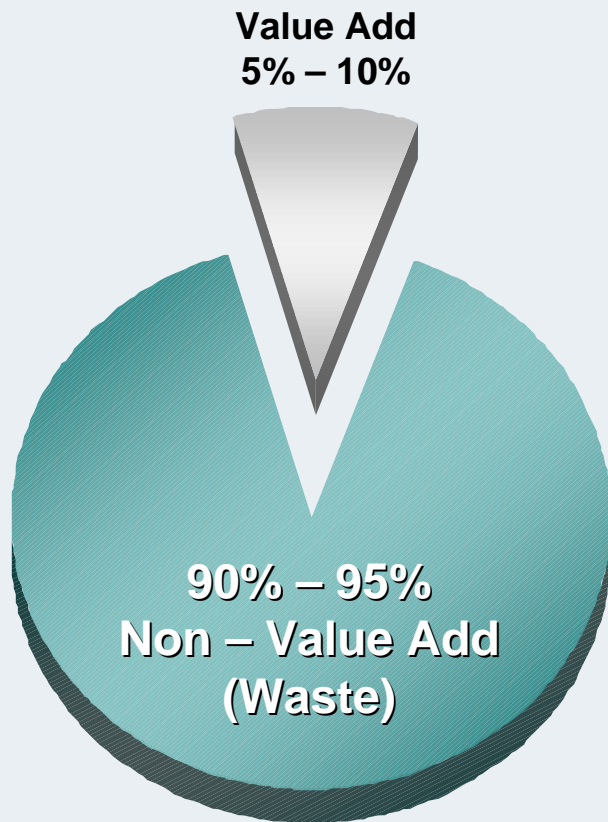
- 6 months Lead Time
- Low Flexibility
- Mediocre Quality

Creating Missed Sales During Growth Times & Major Write Offs During Slowdown

The Fundamental Premise

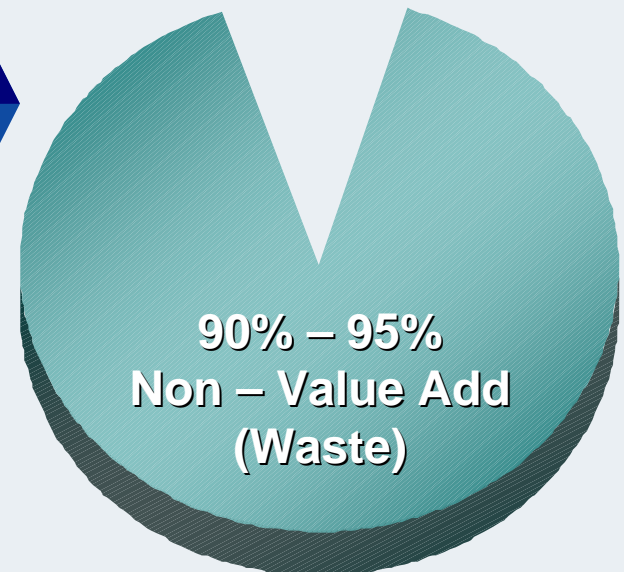
Driving a Different Approach

Total Solecron Costs



Solecron's Approach

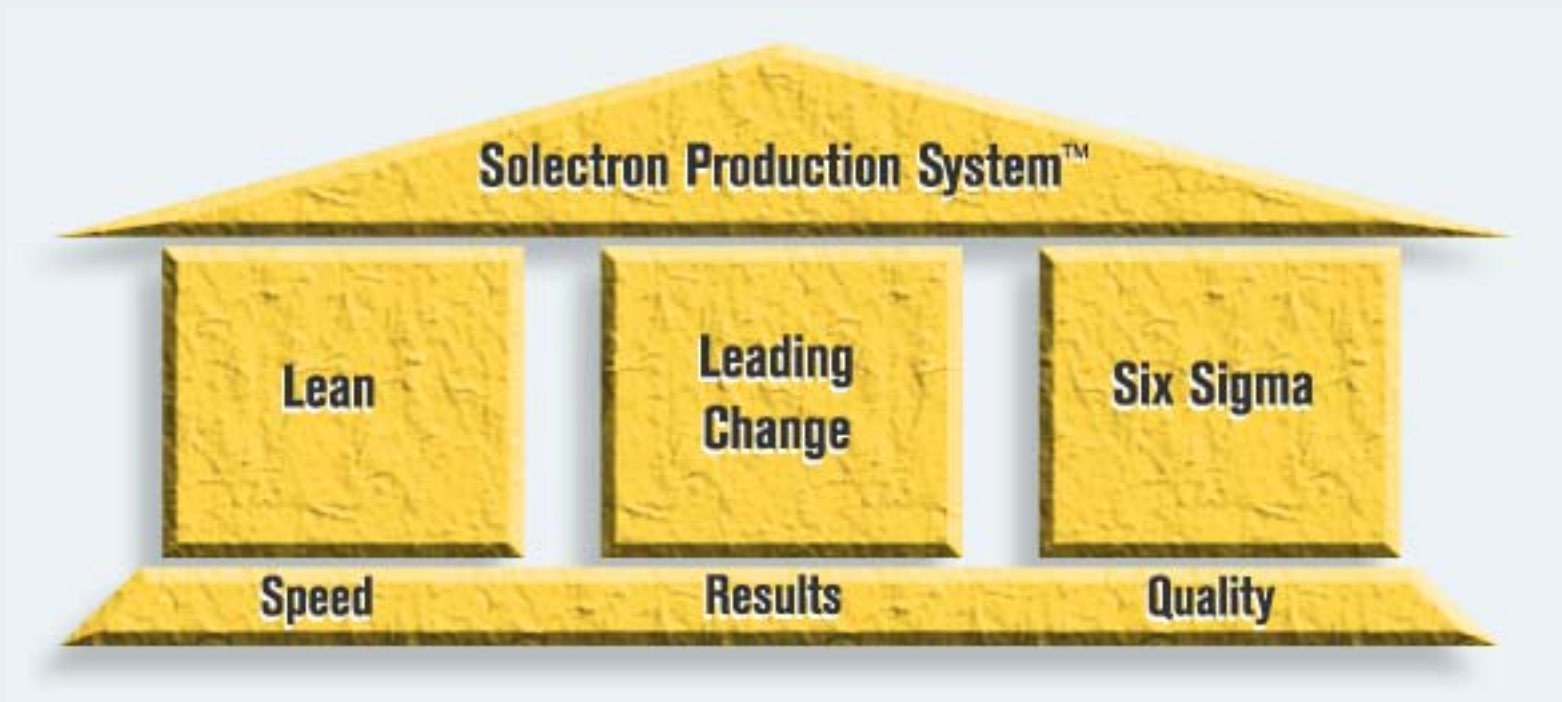
Major Focus on
Eliminating Waste



The Driver of SPS™ Cost and Time Savings

SPS™: The Foundation of Excellence

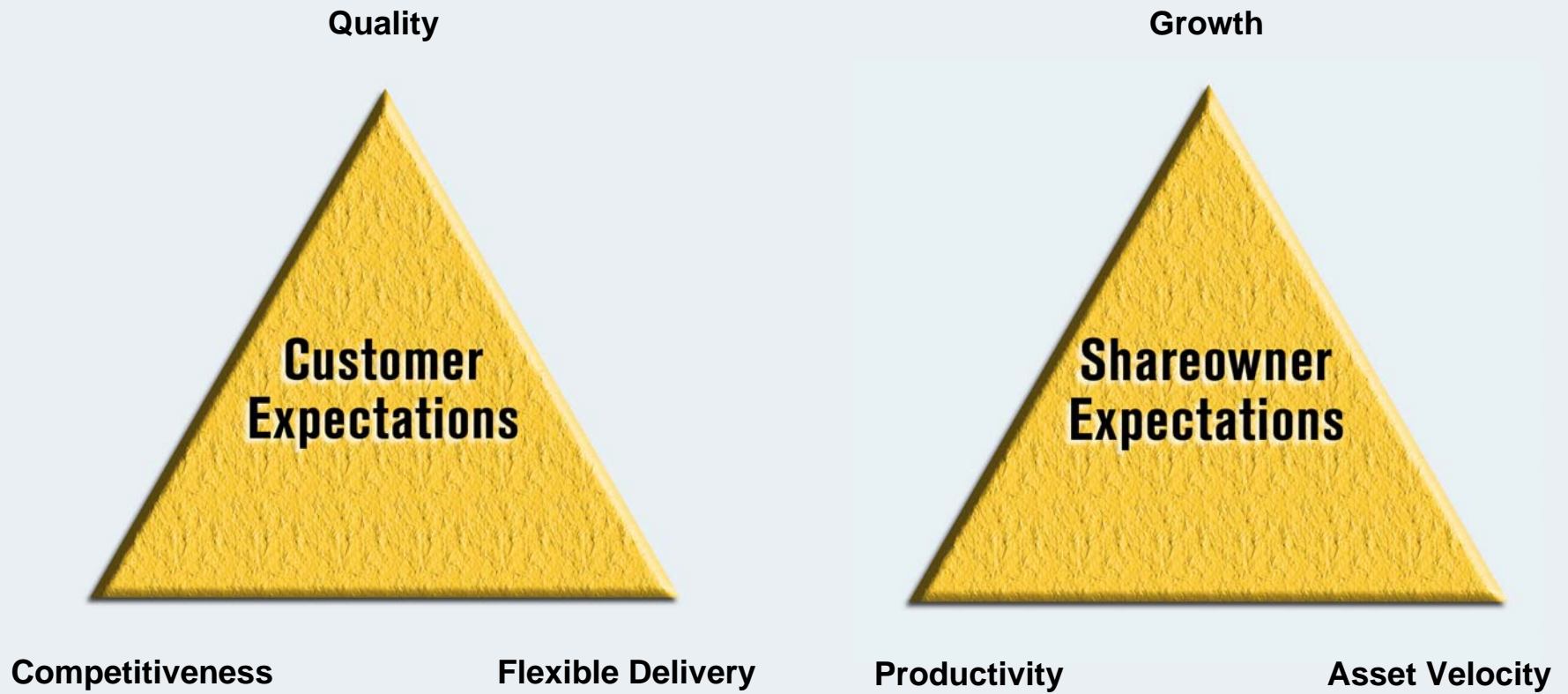
Enabled by People....Driven by Values



The Roadmap to Success

The Impact

Golden Triangle of Customer & Shareowner Expectations



Two Sides of the Same Coin

Competitive Advantage

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Reverse Logistics
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Product Management

Product Management

Soletron Production System™ (SPS)

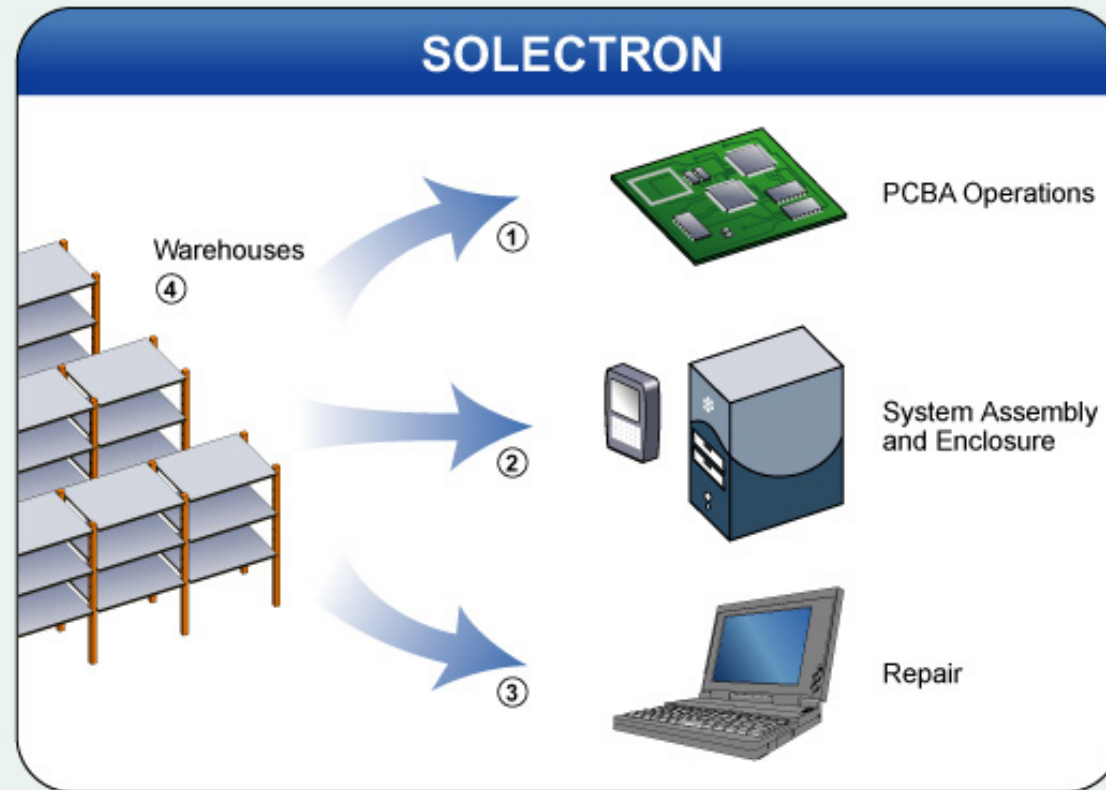
...We Delivered

Culture of Continuous Improvement

Global Network For Lowest Landed Cost

Building Supply Chain Excellence

First Step: Internal Transformation



Deploying SPS™ Internally Since June 2003

Solectron Production System™ Delivers

Transforming the Warehouses

BEFORE



ACTION

Put Parts on the Line
Close External Warehouses

AFTER



	AUG '03*	AUG '05*	RESULT
Inventory Turns	6.8	7.9	16% ↑

* Quarter ending

Solectron Production System™ Delivers

Transforming the Warehouses

BEFORE



ACTION

Create Supermarkets

AFTER



	AUG '03	AUG '05	RESULT
% Parts in Supermarket	15%	50%	233% ↑
Pick-up time per part	45 sec	23 sec	49% ↓

Solectron Production System™ Delivers

Transforming the Plants

BEFORE



ACTION

**Faster Changeover
Visible Flow**

AFTER



	AUG '03*	AUG '05*	RESULT
Work-in-Process Inv. (WIP)	\$215M	\$153M	29% ↓
Change-over Time	> 1 hour	14 mins	>55% ↓

* Quarter ending

Solectron Production System™ Delivers

Transforming the Plants

BEFORE



ACTION

Establish “Takt Time”
Work in U-Cells

AFTER



	AUG '03	AUG '05	RESULT
% Assembly in Cells	0%	48%	48%
Space Reduction	—	> 300K ft2	2 free factories

Solectron Production System™ Delivers

Transforming the Plants



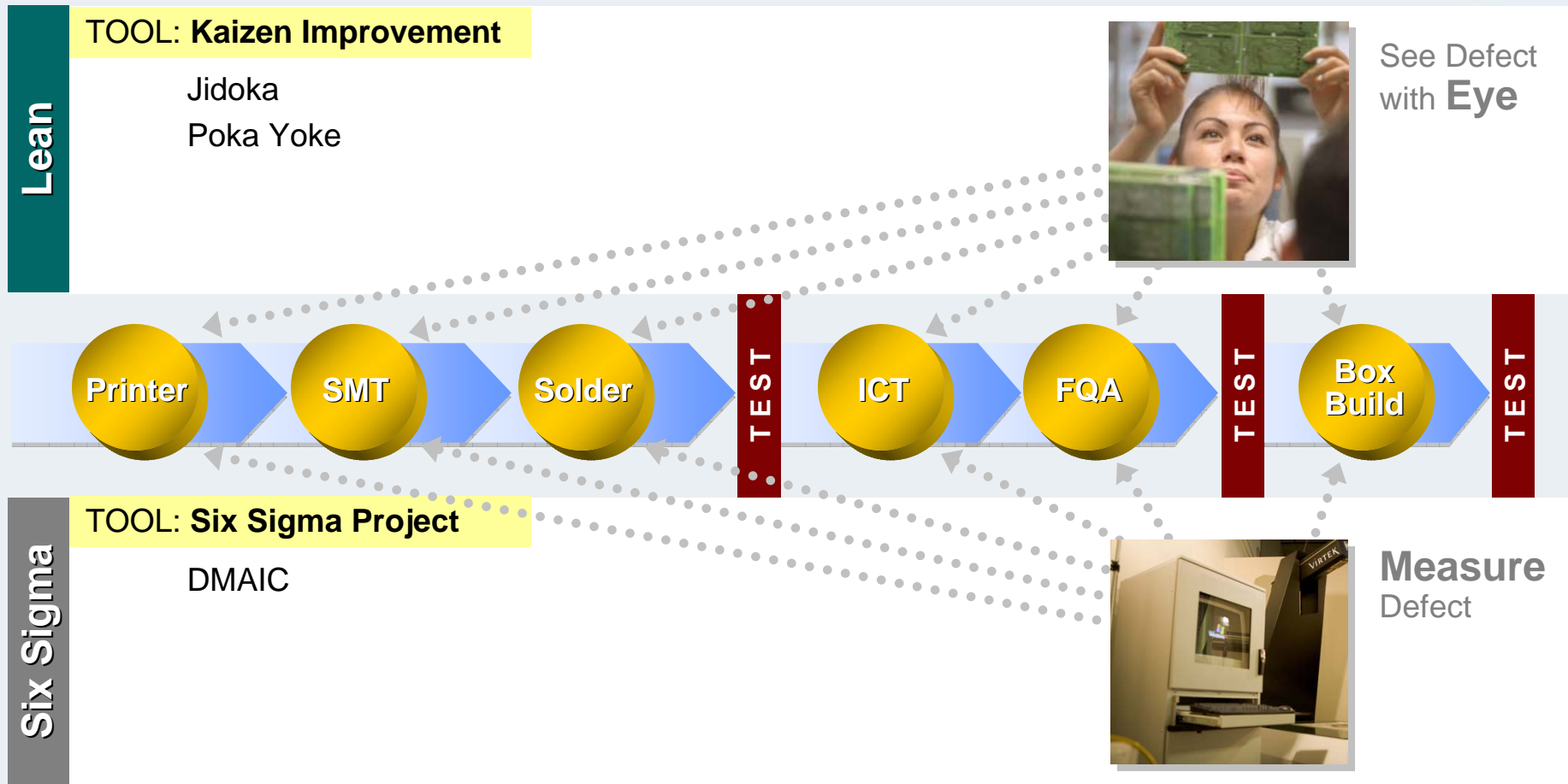
Zero Defect Lines:

**Poka-Yokes...Eliminate Human Errors
Six Sigma...Eliminate Process Errors**

	AUG '03	AUG '05	RESULT
Zero Defect Lines	0%	84%	84% ↑
Return from Customer	0.4%	0.1%	75% ↓
Rework Queue	\$32M	\$12M	62% ↓

Solectron Production System™ Delivers

Lean and Six Sigma at Work



Combining the Two Most Powerful Quality Disciplines

Solectron Production System™ Delivers

The Secret: Our People's Creativity



	AUG '03	AUG '05	RESULT
# of Kaizens	0	5,000 per yr.	↑

Solectron Production System™ Delivers

P & L Impact

KAIZEN

Reduction of operator's wasted movement and time

Space reduction

Equipment utilization

Zero defect line

P&L IMPACT

Labor cost reduction

Reduction of depreciation & utilities cost

Reduction of depreciation

Reduction of scrap, rework and customer return cost

Major Contributor to Gross Margin Improvement

Solectron Production System™ Delivers

Balance Sheet Impact

KAIZEN

Warehouse elimination

Supermarket and material flow

Pull with supplier

Pull with customer

Cash-to-Cash IMPACT

Reduction in Raw Materials inventory

Reduction in WIP inventory

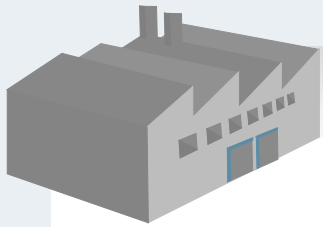
Reduction in Raw Materials Inventory
Increase in Accounts Payable

Reduction in Finished Goods Inventory
Decrease in Accounts Receivable

Major contributor to Cash Cycle improvement

Solectron Production System™ Delivers

We Are Visibly Different



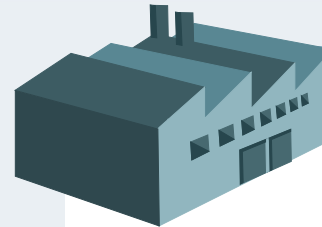
TRADITIONAL PLANT

SHOP FLOOR

- “Organized Chaos”
- Large Warehouses
- Long change-overs and large lots
- Long lines
- Production scheduled by forecast
- Defects inspected and repaired

PEOPLE

- Inefficient process
- Improvement by committee
- “Brute force” scramble



SPS™ PLANT

SHOP FLOOR

- Clean and neat
- Supermarkets
- 99-second changeovers
- “U-shaped Cells”
- Production scheduled by customer pull
- Defects stop the line

PEOPLE

- Aiming for process perfection
- “5-Whys” for root cause
- Continuous improvement on shop floor

Come and Visit, See for Yourself

Solectron Production System™ Delivers

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...Next Steps

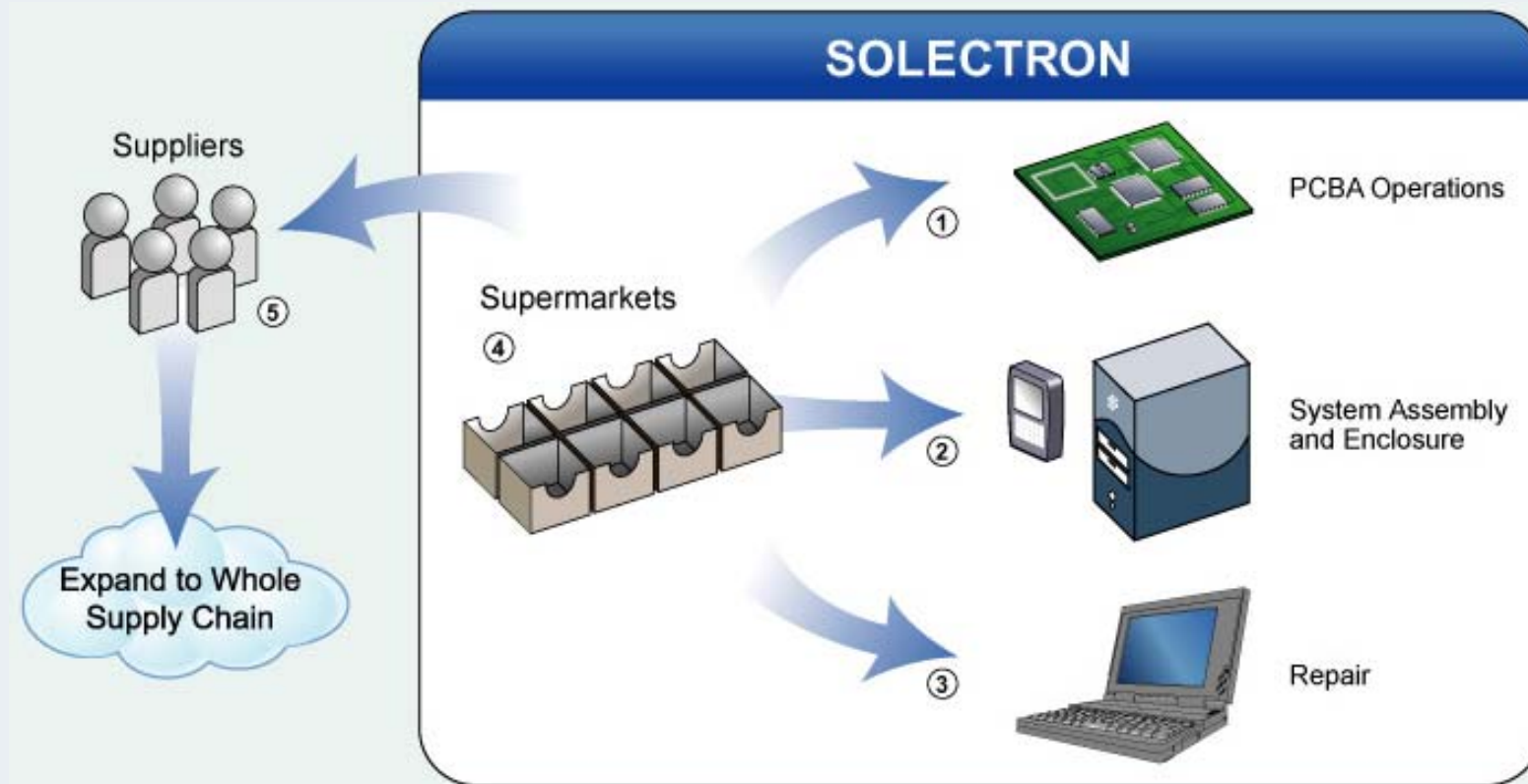
Solectron Production System™ (SPS)

Solectron Supply Chain Solutions Suite™

Culture of Continuous Improvement

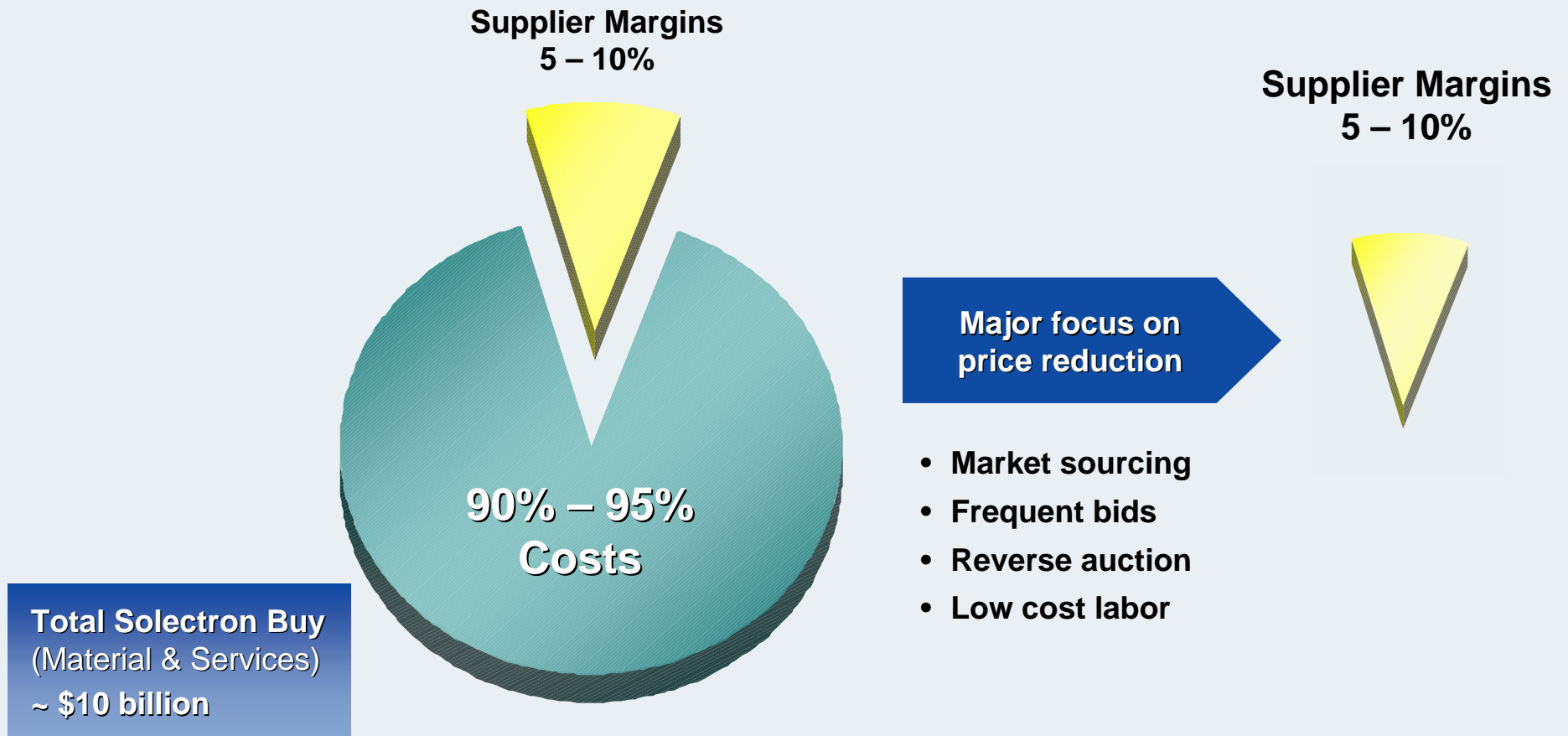
Global Network For Lowest Landed Cost

Extend to Suppliers



SPS™: Next Steps

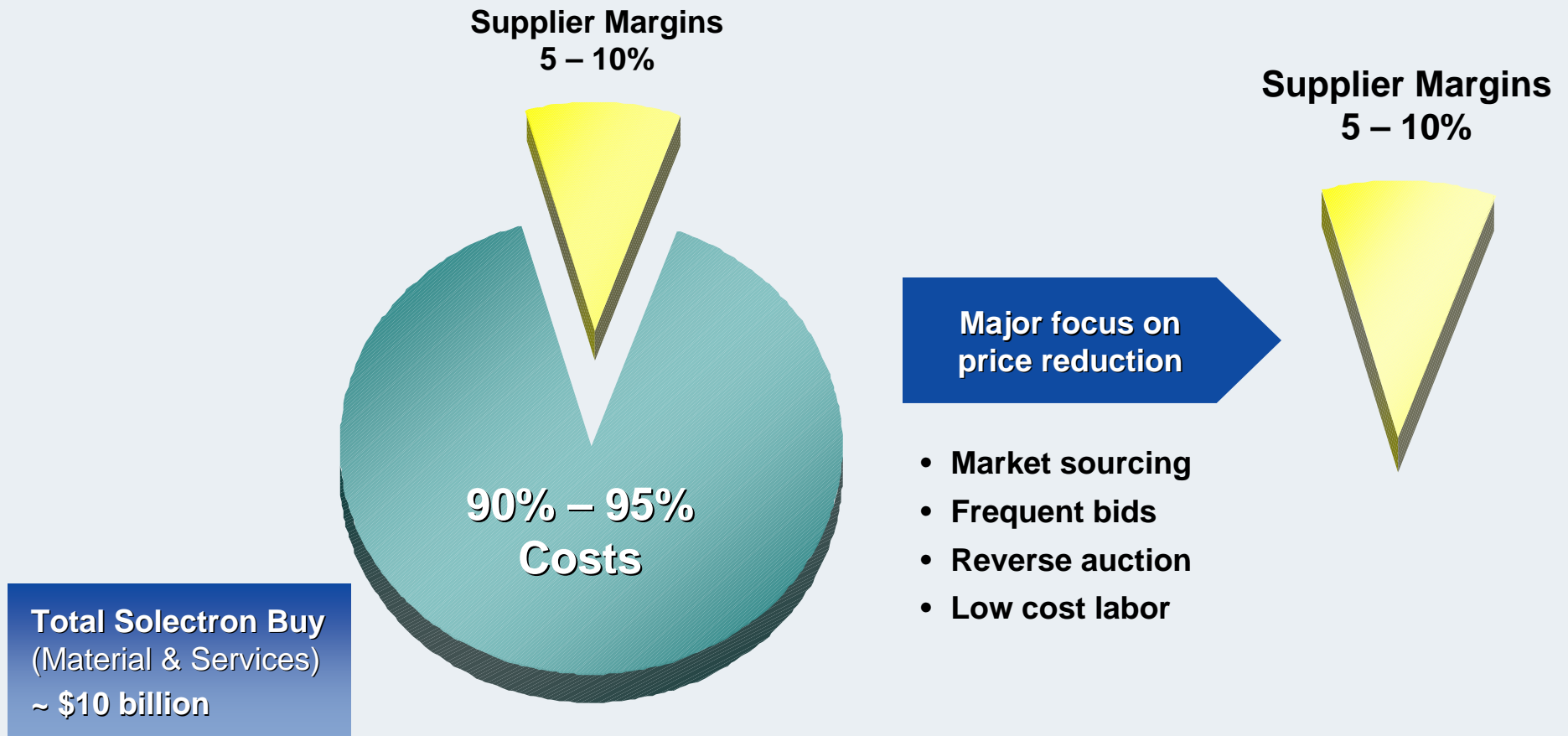
The Traditional Sourcing Approach



Traditional Model is Limited

SPS™: Next Steps

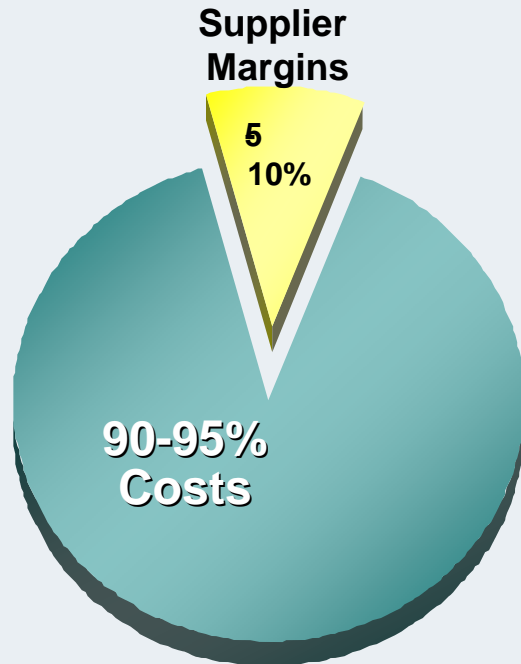
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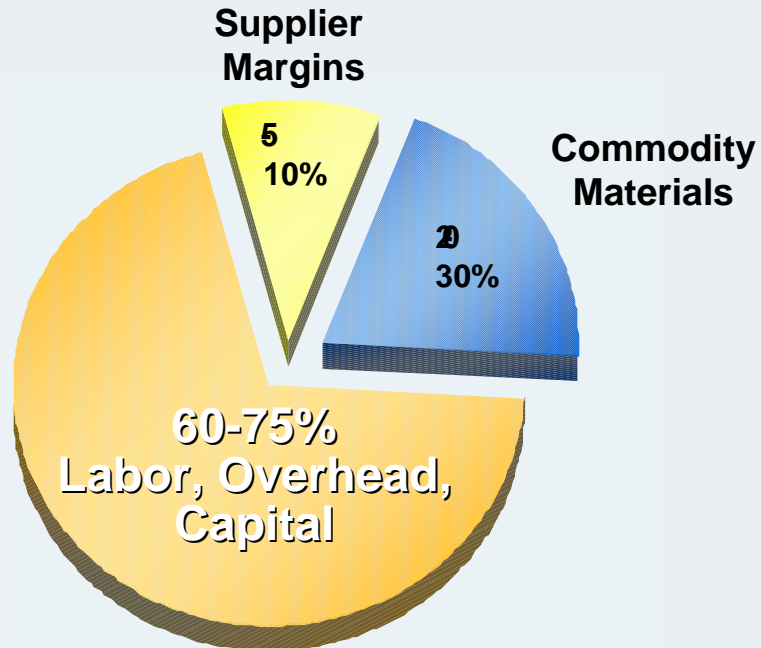
The Collaborative Approach



Total Soletron Buy
(Material & Services)
~ \$10 billion

SPS™: Next Steps

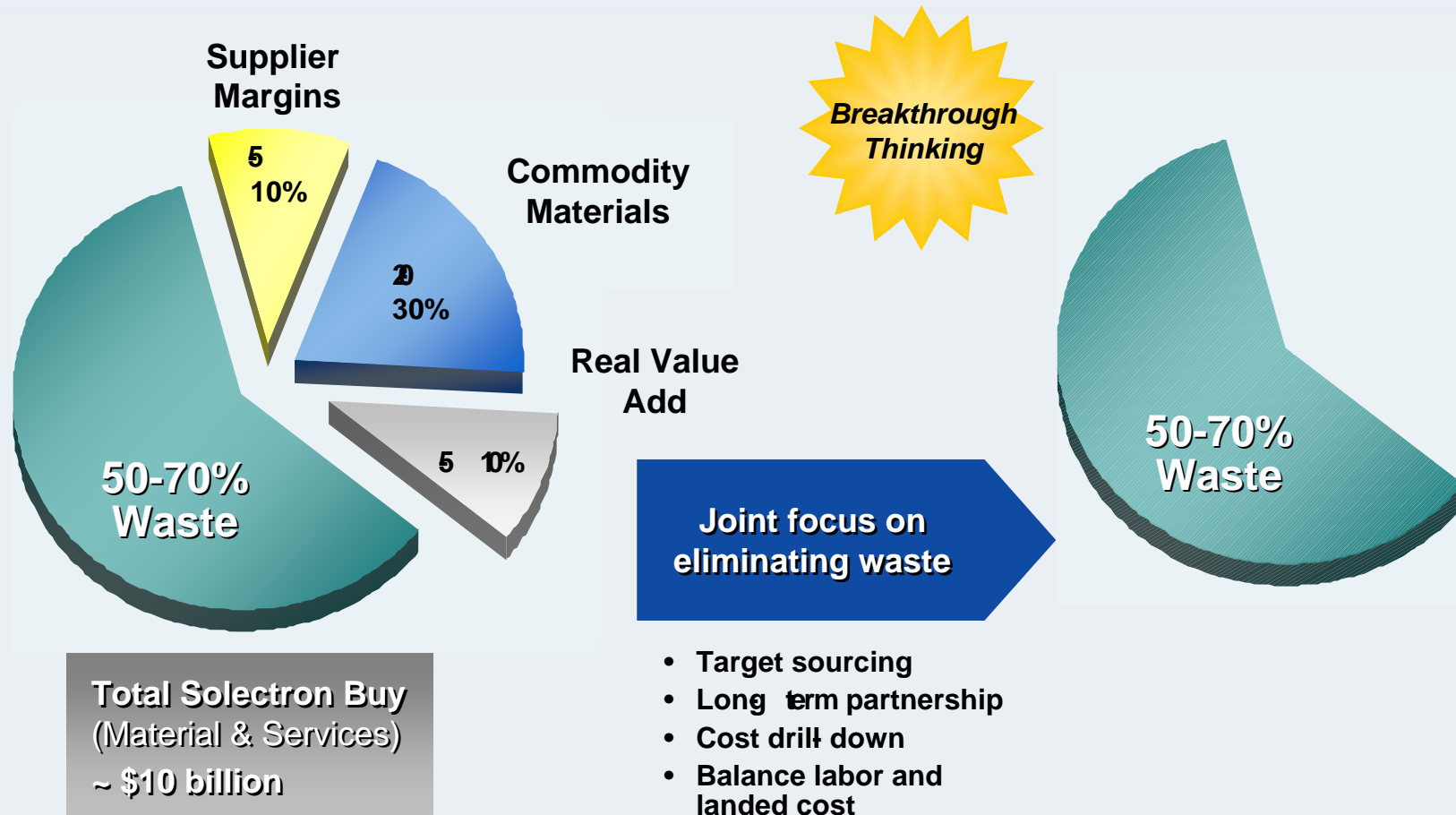
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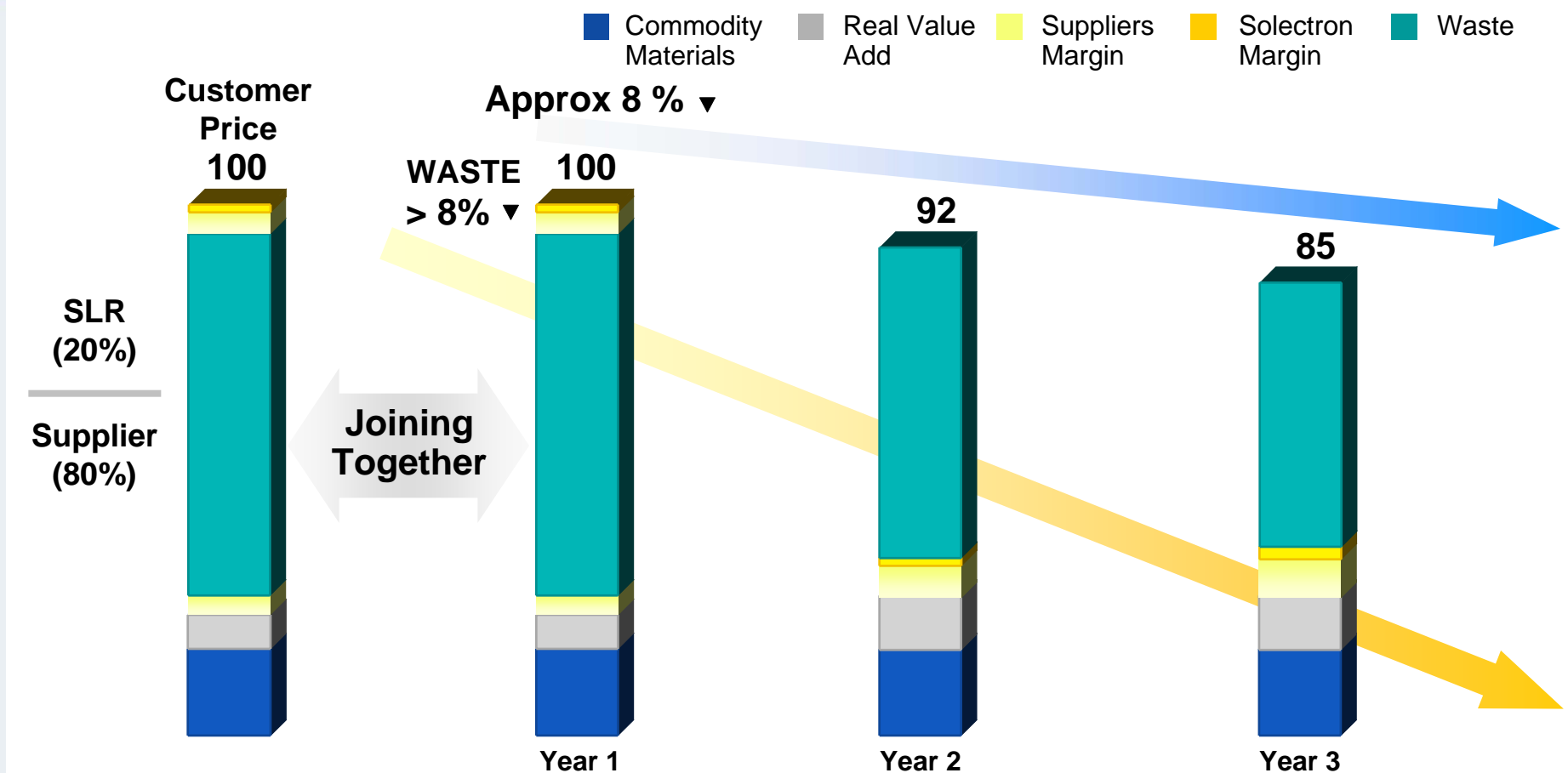
The Collaborative Approach



Breakthrough Thinking : Opportunity to Attack 50-70% Waste

SPS™: Next Steps

The Co-Prosperity Business Model



Win-Win Model for Customers and Suppliers

SPS™: Next Steps

The Soletron Co-Prosperity Model

Impact for Customers:

- World-class: cost, lead time, quality

Impact for Shareholders:

- Improved margins and turns

Impact for Suppliers:

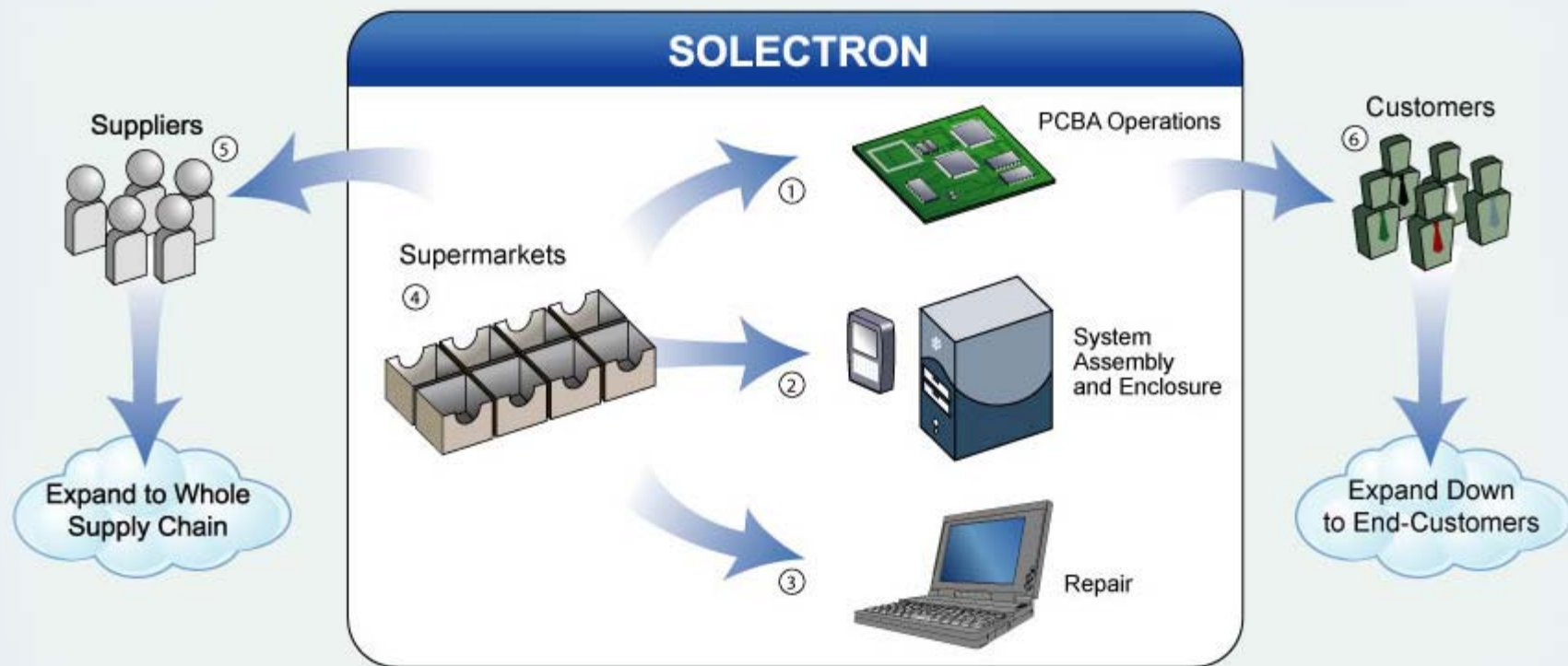
- Improved margins and growth



Sustainable Differentiator for Soletron

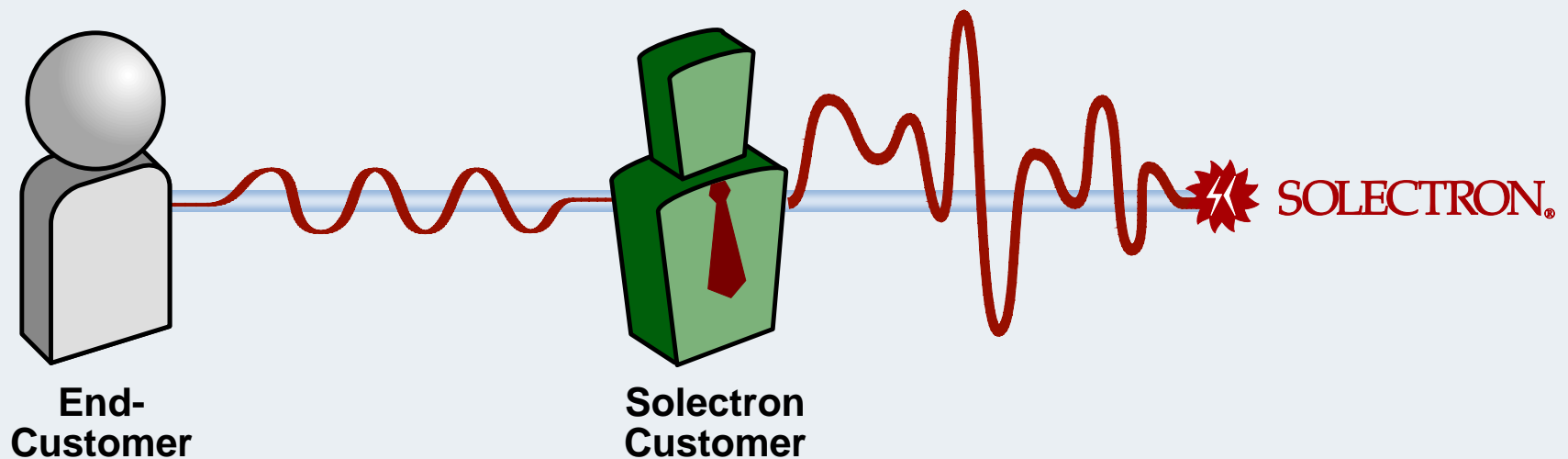
SPS™: Next Steps

Extend to Customers



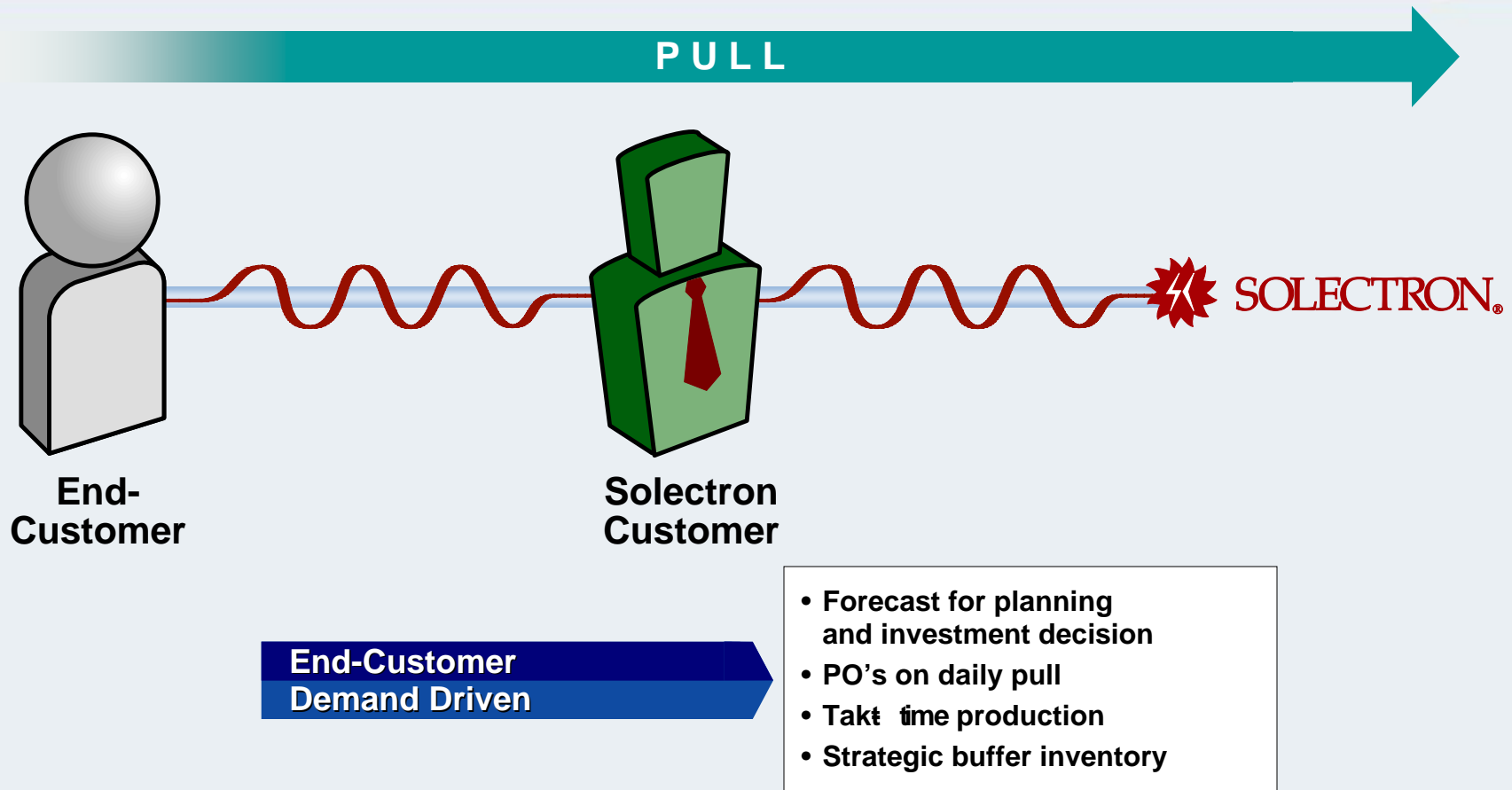
SPS™: Next Steps

Connecting to End-Customer Demand



SPS™: Next Steps

Connecting to End-Customer Demand



The Road to 100% Delivery to Customer Request

SPS™: Next Steps

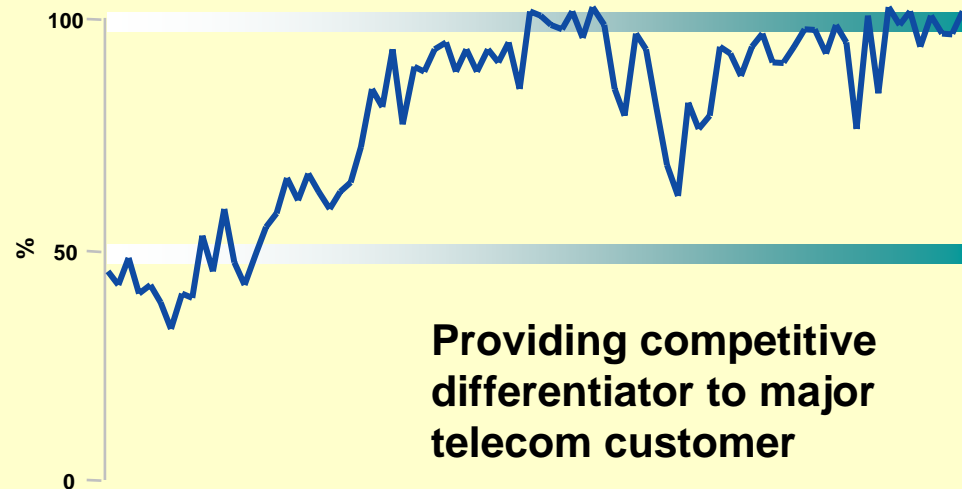
Deploying the Supply Chain Suite™

Supply Chain Suite™ Tools:

- Complete landed cost
- Supply chain geographic design
- Demand variability analysis
- Buffer sizing
- Reorder point calculation

Actual Customer Result

DELIVERY TO CUSTOMER REQUEST



Enabling Customers to Capture Perishable Demand

The Goal



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Product Support

Product Remarketing

Product Support

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...**SPS™ Foundation for Growth**

SPS™ Foundation for Growth

Customer Feedback

“...Over the past two years, Solectron has delivered one of the fastest transformations, in terms of customer focus, that I have ever experienced. Philips and Solectron are building a solid and transparent partnership...”

Jean Pierre Zajac
Sr. Director of Manufacturing,
Patient Monitoring Division
Philips Medical Systems

SPS™ Foundation for Growth

Customer Feedback

“...We are very happy to work with Solectron. Your Ibaraki facility's kaizen focus has improved quality and customer satisfaction for NEC's computer business...”

Masahiko Yamamoto
Sr. Vice President
NEC Corporation

SPS™ Foundation for Growth

Customer Feedback

“...Solectron’s leadership in adopting its supply chain practices provides Teradyne a competitive advantage...”

Jim Frederico
Chief Operating Officer
Teradyne

SPS™ Foundation for Growth

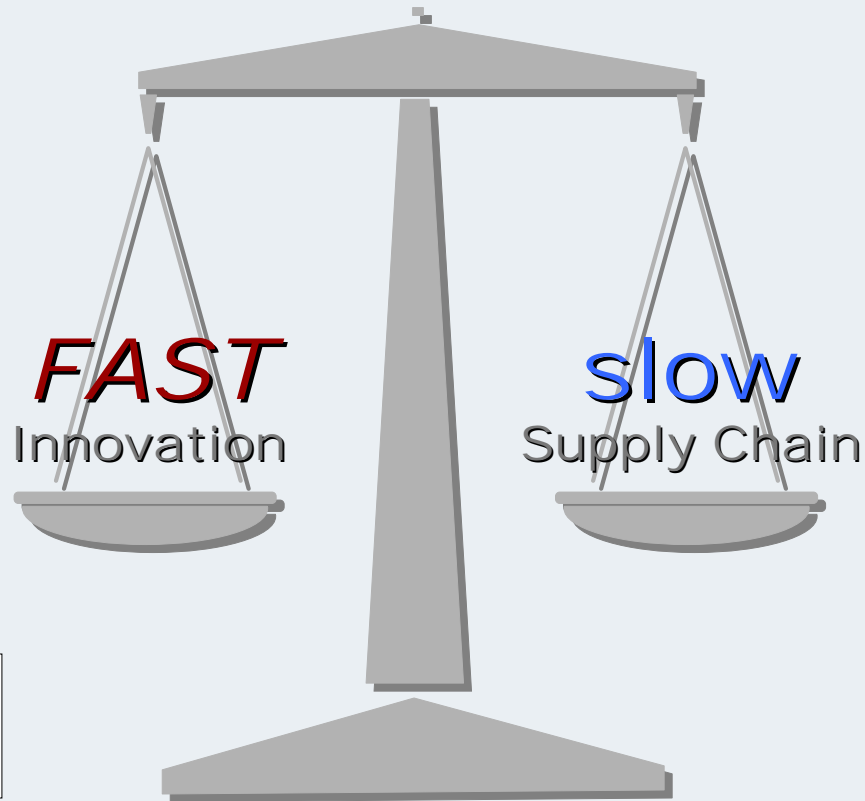
Customer Feedback

“ With implementation of Lean manufacturing, a tremendous business strategy and an engaged work force, it's unbelievable what they can do. ”

Bruce A. Langos
Vice President, Global Operations
NCR Corporation

Electronics Industry Imbalance

“The SPS™ Solution”



New Product Launch...
Every 6 months

- <2 Weeks...Total Supply Chain Time
- SPS Flexibility
- SPS Quality

Becoming the Toyota of the Electronic Industry