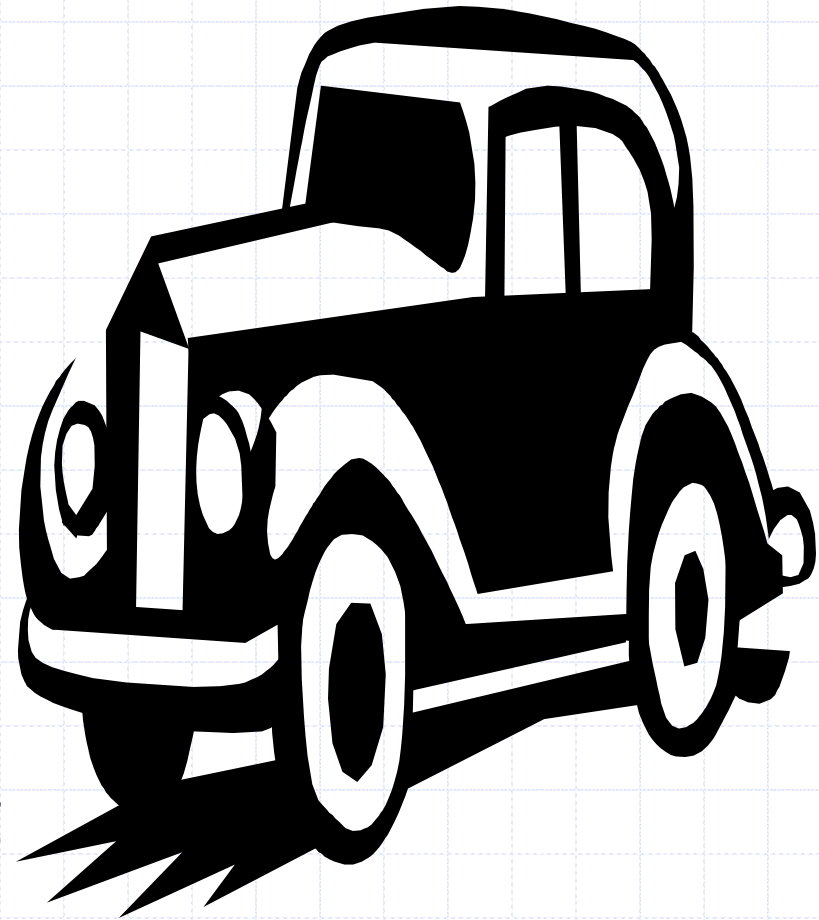


# International OEM Programs

- LJC Automotive, LLC  
Global Engineering &  
Manufacturing
- Supply Chain  
Development;  
Best Cost Sourcing
- Process development
- Full Deliverables



## PRESENTATION PURPOSE

- Expose customer to LJC efforts:
  - To demonstrate high volume OEM readiness
  - For better product performance;
  - To increase profitability by reducing cost of production parts using “Best Cost Country” sources; and
  - Continuously improving processes involved.
- Expose Manufacturer to LJC capabilities

## Company Background - Founder

- **Louis J. Chiatalas**, President
  - GMI (Kettering) graduate engineer
  - General Motors Corporation - Chevrolet
  - Ford Motor Company – USA automotive and international tractor operations
  - Domestic/foreign executive assignments
  - OEM and Tier I management expertise

# Management Staff

- Graduate - Sales & Marketing (US)
- Attorney - commercial and patent (US)
- Computer Programmer - info tech (US)
- Purchasing – Shanghai Office director

## LJC Far East Chronology 1996-2000

- 1996 AO Smith “Greenfield Ventures” established in China for engine cradles, etc.
- 1998 TRW Chassis – “Capella” Program successfully implemented in Australia and Japan
- 1999 TRW Asian Sourcing Office initiated, achieves rack tube cost reduction via Korean component supply

# LJC Consulting Chronology – OEM/Tier I

- 2001 - LJC Management Consulting founded
- 2002 – USA Car Co. - assisted international purchasing function with targeted parts/assemblies: fuel and brake systems; cold form products; small motors, alternators and starters; electric power steering systems; and steering gear business. Significant cost reduction potential was demonstrated.

## LJC Consulting – OEM/Tier I [cont'd]

- January 2002 – Tier I – assisted executive purchasing managers with ball bearing market test, rack tubes and aluminum die castings (optionally machined).  
Demonstrated significant savings from best-cost country sourcing.

## LJC Consulting – Tier I Piston & Bearing

- June 2002 – DELPHI Automotive Systems - assisted global purchasing with caliper piston and needle bearing cost reduction program, utilizing stamping, deep draw forming and precision machining. Sourced machinery, developed machine loading and timing plan.



## LJC Consulting – Tier I Cooling Fan Motor

- April 2003 –Motors & Actuators – assisted Tier I global buyer to re-source cooling fan motor from USA plant. Developed China motor supplier-of-choice among several preferred candidates identified.
- March 2007 – Submitted Profit Improvement Proposal to senior management of company acquiring customer

## LJC Consulting – Tier I Fuel Modules

- 2003-2004 – Tier I Automotive Systems  
– initiated global savings through purchasing actions, in conjunction with in-house procurement executives.  
Developed and sourced complete fuel delivery system proprietary to customer.

## LJC Automotive – Exhaust Components

- 2005-2006 –Exhaust Systems Customer - Qualified as an approved Tier II supplier for decorative tips, solid/perforated tubes and DPF in/outlet tube components.
- 2007 – Additional Exhaust Systems Customer - qualifying for Tier II production of decorative tips at new LJC partner facilities.

## LJC Exhaust Stampings – OEM/Tier I

- July-August 2007 - OEM Power-Train - approved supplier qualification process initiated for exhaust stampings
- August 2007 – stampings qualification initiated by Tier I purchasing and business unit managers, in coordination with OEM mixer program

## LJC Automotive Air/Fuel Intake Programs

- August 2007 – OEM Power-Train -discussions of Mass Air Flow (MAF) Sensor re-sourcing programs with engineering experts
- October 2007 – Tier I – Initiated Tier II supplier qualification process for MAF/MAP (Mass Air Pressure) sensors, throttle bodies, butterfly actuators and fuel rails.

## Core Competencies

- An American Company serving you from next door
- Communicating in a common language
- Experienced in the Global Automotive Industry
- Global Engineering and Manufacturing
- Tiered Automotive Supplier (vs. Rep)
- Lean Production and Full Service
- Low-cost/high-quality products
- Innovation that sets a new standard
- Interdisciplinary Expertise & Responsibility
- Combining Western and other international technologies, methods and disciplines to capitalize on the advantages of hi-volume production amid the realities of a low cost country manufacturing environment

## Technical Capabilities

- Manufacturing feasibility
- Process design and development
- Product design and validation
- Supplier quality engineering
- Industrial cost engineering
- Organizational training
- Quality system implementation
- Supply chain management

## Functional Responsibilities

- Promotional Support
- Marketing Support
- Product Support
- Contract Exclusivity
- Product and Project Mgt
- Customer RFQ
- Global Pricing/Quotation
- Industry Marketing
- Customer Service
- Warranty Programs
- Sourcing Qualification
- Purchasing
- Technical Support
- Inventory Planning
- Global Logistics
- Warehousing & Distribution
- Info Systems Coordination
- Quality Systems Integration
- Legal/Regulatory Compliance
- Finance/Acct. of Current Assets



## Qualification Process

- Tier II/III Risk Analysis
- “Manufacturer-of-Choice” Criteria
- Prospective Manufacturer Audit
- Manufacturer Profile/Self-Assessment
- Industrial Engineering Cost Break-down
- Capacity Analysis, Production Capability
- Economics (Raw Material, Currency, etc)

# Evaluate Current Supply Base

RATING BASED ON: 10 = HIGHEST SCORE, EXCELLENT; 9 = GOOD; 8 = FAIR, ACCEPTABLE;  
7 = ACCEPTABLE W/ DIFFICULTY, NEEDS MUCH IMPROVEMENT; 6 = OUT OF ACCEPTABLE RANGE; 5 - 1 = TOTALLY UNACCEPTABLE SUPPLIER

ITEM	Mfr A	Mfr B	Mfr C	Mfr D	COMMENTS
FINANCIAL, ABILITY TO INVEST	10	7	8	10	AVAILABLE FUNDS AND ASSURED LOANS
PRICE OF PARTS	6	9	8	10	REL. POSITION, CUSTOMER REQTS UNKNOWN
PARTS SUPPLY	8	7	8	10*	*WILL HAVE HIGH IN-HOUSE MAKE
HIGH VOLUME EXPERIENCE	10	6	8	10	
TECHNICAL SUPPORT CAPABILITY	9	8	8	10*	*ADDED HIGH LEVEL ENGINEER AND STAFF
EXPERIENCE WITH PARTS	10	8	9	10	
NEW DESIGN CAPABILITY, R & D	8	9	8	10	
QUALITY SYSTEMS	9	9	9	10*	* QS9000 CERTIFIED AND ISO 9000 CERTIFIED
LISTENS WELL TO CHANGES	9	9	8	10	
LIKELY TO BEST COOPERATE	8	8	8	10	
PRODUCT COST CONSCIOUS	9	9	7	10	COMPARES CURR. LEVEL & THE PART ADD
BUSINESS SALES VOLUME	10	6*	7	10	*NEW COMPANY
SPACE AVAILABLE AND TO GROW	7	8	8	10*	*33,000 SQ FT NEW BLDG, 330,000 OPEN LAND
ORGANIZATION STRENGTH	10	7	8	10	
WE WILL HAVE LEAST PROBLEMS	8	8	8	10	
PAYMENT TERMS AGREED	8	8	8	10	90 DAYS=10; 60 DAYS=80
PRICE REDUCTION, EFFICIENCY	8	10	10	10	3% FOR YRS 2,3,4=10; 2% OR LESS=8
CURRENCY EXCHANGE	7	7	10	10	USD FIXED=10; W/ADJUSTS FOR EXCH.=7
<b>TOTALS</b>	<b>146</b>	<b>133</b>	<b>137</b>	<b>170</b>	
SUBJECTIVE, JUDGEMENTAL O'ALL	8 TO 9	7	8	9 TO 10	Mfr D IS VERY PREDICTABLE, OTHERS MAY HIDE INFORMATION, MAKE FALSE PROMISES

**Mfr D IS LJC MANUFACTURING OF CHOICE IN ALL AREAS OF EVALUATION, OTHERS WERE COMPARED TO Mfr D.**

LJC STRONGLY BELIEVES THAT WE WILL HAVE A VERY SUCCESSFUL PROGRAM WITH Mfr D; THEY ARE PROGRESSIVE AND WANT THE BUSINESS BUT ALSO WANT TO LISTEN AND IMPROVE. ALSO, FINANCIALLY THEY WANT TO KEEP THE COST DOWN AND THE PROFIT TO A REASONABLE LEVEL WITH HIGH DESIRE TO MANUFACTURE FOR TIER 1 CUSTOMERS.

# LJC Manufacturer Profile & Self-Assessment



## SUPPLIER PROFILE

Company Name \_\_\_\_\_

Mfg. Address (include country, if non-US) \_\_\_\_\_ Phone \_\_\_\_\_

Parent Company \_\_\_\_\_ Fax \_\_\_\_\_

Address \_\_\_\_\_ Website \_\_\_\_\_

Phone \_\_\_\_\_

Fax \_\_\_\_\_

Contacts Name Phone Fax E-Mail

President \_\_\_\_\_

VP Quality \_\_\_\_\_

VP Sales \_\_\_\_\_

VP Materials \_\_\_\_\_

VP Engineering \_\_\_\_\_

Plant Manager \_\_\_\_\_

Quality Manager \_\_\_\_\_

Materials Manager \_\_\_\_\_

24 Contact (include cell #) \_\_\_\_\_

Financial Information

Ownership of the company Public \_\_\_\_\_ Private \_\_\_\_\_ Family \_\_\_\_\_

Sales in Dollars \_\_\_\_\_

Primary Products

Product	% of Sales
auto school mufflers	
auto school tailpipes	

Are value added services performed? Yes \_\_\_\_\_ No \_\_\_\_\_

Is there a business plan in effect? Yes \_\_\_\_\_ No \_\_\_\_\_

Business breakdown Automotive \_\_\_\_\_ Non-automotive \_\_\_\_\_

New Supplier Profile and Self Assessment

## PURCHASING SUPPLIER QUALITY MONITORING

1	Management Responsibility		
2	Quality System		
3	Contract Review		
4	Design Control		
5	Document and Data Control		
6	Purchasing		
7	Control of Cost Supplied Prod.		
8	Product Ident. & Traceability		
9a	Process Control		
9b	Process Control		
10	Inspection & Testing		
11	Inspection, Meas. & Test Equip.		
12	Inspection & Test Status		
13	Control of Nonconforming Product		
14	Corrective & Preventive Action		
15	Hand, Storage, Package, Delivery		
16	Control of Quality Records		
17	Internal Quality Audits		
18	Training		
19	Service		
20	Statistical Techniques		
21	Production Part Approval Process		
22	Continuous Improvement		
23	Manufacturing Capabilities		

A) NUMBER OF ANSWERED QUESTIONS	B) TOTAL POINTS	C) TOTAL (A x B)	D) (C / 234) X 100 = %
[ ]	[ ]	[ ]	[ ] %

Please complete all pages in their entirety, including checking all appropriate boxes, recording comments and entering scores above. Each element consists of questions which can be assigned a maximum of 2 points each. The total number of possible points is 234. Please comment in the event you have answered with "no" or "partial." If the answer is "yes", please mention examples.

**RECORD ANSWERS BY CHECKING THE APPROPRIATE BOX**

**"Yes" (2 points)** - This is included in the system and planning and execution are adequate. Past documentation and evidence of continuous improvement efforts are available. Few minor nonconformances may be found, but can be easily/rapidly corrected.

**"Partial" (1 point)** - This is included in the system. However, one or more of the following exists: planning and/or execution requires additional development; lack of documentation; records indicate procedures were not followed properly; no evidence of continuous improvement efforts; several minor nonconformances found.

**"No" (0 points)** - This is not included in the system, or planning and execution require substantial improvement. One or more major nonconformances found or multiple minor nonconformances found to cause system failure.

**"N/A"** - An "N/A" response may not be used simply because the supplier chooses not to conform to that element.

# Detailed Piece Cost Break-down

LJC Automotive Exhaust Manufacturing Piece Cost Breakdown (August, 2007)

LJC Part Number	Material	Weight	Material	Price	Value	Number	MOQ	Setup	Plg	Profit	Inventory	Std Issue	Std Time	Std Issue	Finance (K)	Weight	PCN	
	unit	lb	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

LJC Automotive Exhaust Manufacturing Cost Rates (August, 2007)

LJC Part Number	Material	Price	Std Cost	Material	Inventory	Quantity	Setup %	MOQ	Inventory	Weight	Profit %	Std	Material	Finance (K)
		unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit	unit
		0.000	0.000	0.000	120.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		0.000	0.000	0.000	120.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		0.000	0.000	0.000	100.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		0.000	0.000	0.000	100.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		0.000	0.000	0.000	120.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		0.000	0.000	0.000	100.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
		0.000	0.000	0.000	94.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
<b>TOTAL</b>														



# LJC Automotive

## Global Engineering & Manufacturing



### *Packaging & Logistic Specifications*

#### Contents

Part Labeling

The shipping container/box

Box/container manufacturer

Labeling of Boxes per AIAG

LJC-LOGISTICS Logistics

Attachments

# Logistic Partnership

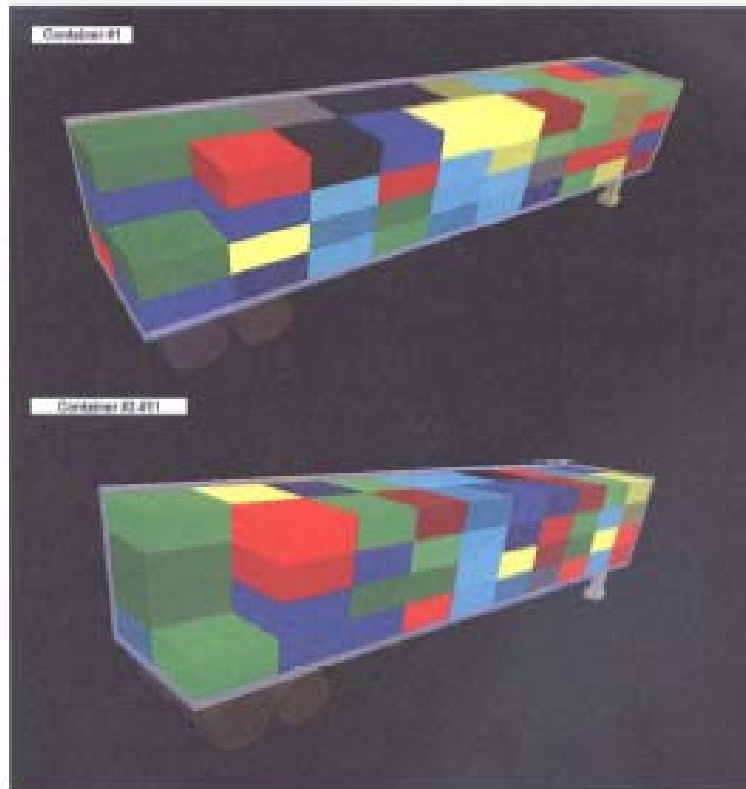


Revised 8/24/06

Master Engineering  
LJC Automotive Data Analysis

POP's Served	Frequency	Total LMI	Avg LMI per Trip
14	11	10,202	91.81%

Trip	Weight of Loaded Containers	Pop Utilization	Weight Utilization	Floor Utilization	# POP's
L188017 C-1	21,800	91.00%	44.80%	91.00%	10
L188017 C-2	21,450	87.00%	41.20%	87.00%	10
L188017 C-3	21,340	86.80%	44.00%	86.80%	10
L188017 C-4	21,120	85.90%	43.00%	85.90%	10
L188017 C-5	21,000	85.60%	41.40%	85.60%	10
L188017 C-6	21,000	85.60%	41.40%	85.60%	10
L188017 C-7	21,000	85.60%	41.40%	85.60%	10
L188017 C-8	21,000	85.60%	41.40%	85.60%	10
L188017 C-9	21,000	85.60%	41.40%	85.60%	10
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L188017 C-11	21,000	85.60%	41.40%	85.60%	10
L188017 C-12	21,000	85.60%	41.40%	85.60%	10
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L188017 C-14	21,000	85.60%	41.40%	85.60%	10
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L188017 C-18	21,000	85.60%	41.40%	85.60%	10
L188017 C-19	21,000	85.60%	41.40%	85.60%	10
L188017 C-20	21,000	85.60%	41.40%	85.60%	10
L188017 C-21	21,000	85.60%	41.40%	85.60%	10
L188017 C-22	21,000	85.60%	41.40%	85.60%	10
L188017 C-23	21,000	85.60%	41.40%	85.60%	10
L188017 C-24	21,000	85.60%	41.40%	85.60%	10
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L188017 C-68	21,000	85.60%	41.40%	85.60%	10
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L188017 C-71	21,000	85.60%	41.40%	85.60%	10
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L188017 C-100	21,000	85.60%	41.40%	85.60%	10



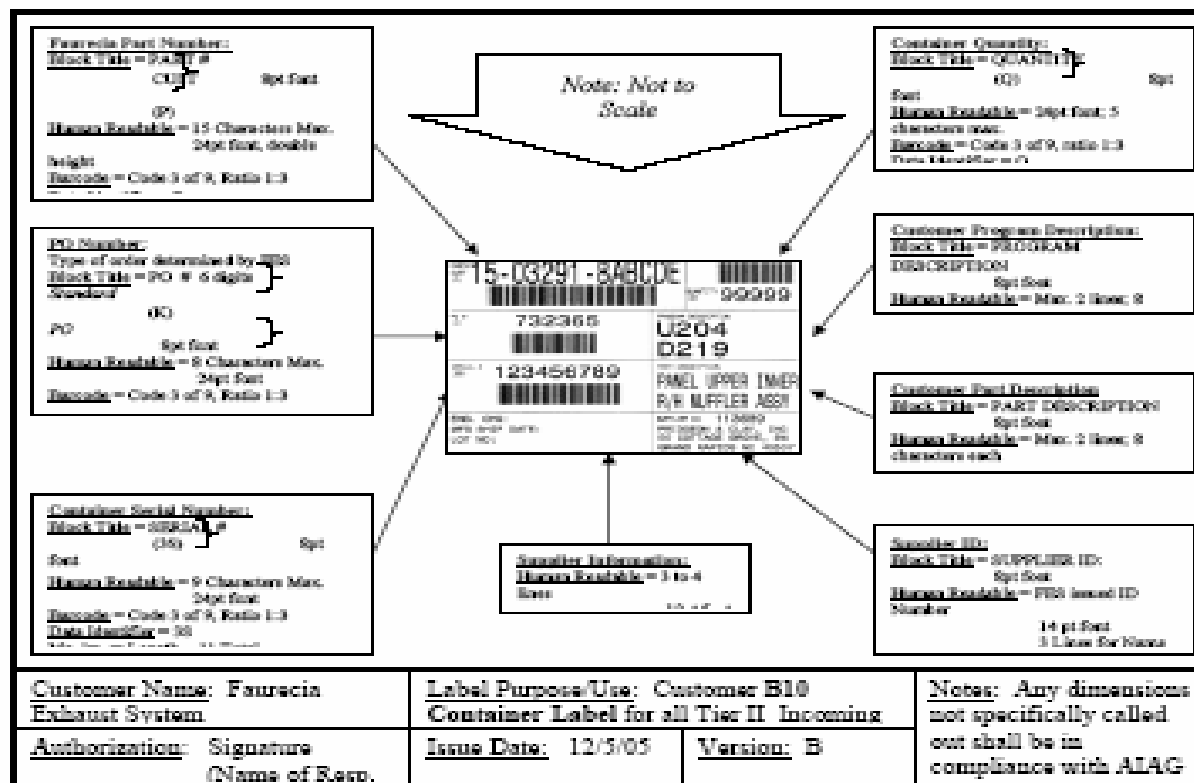
LJC\_Proposal\_Detailed2006.xls

Tab 1

Mastering Engineering, Inc.

# Standard Packaging Labeling

## AIAG LABELS







# Shipping Containerization & Re-Usable Pkg



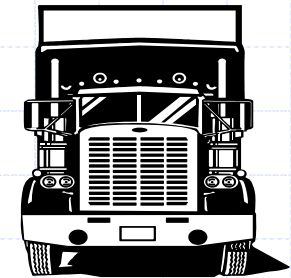
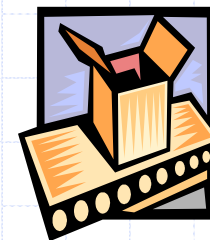
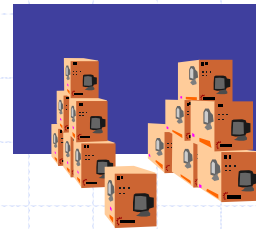
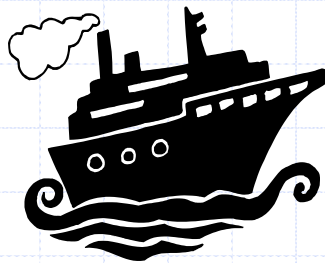
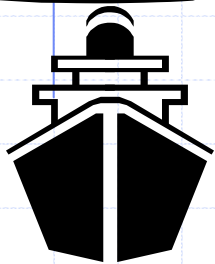
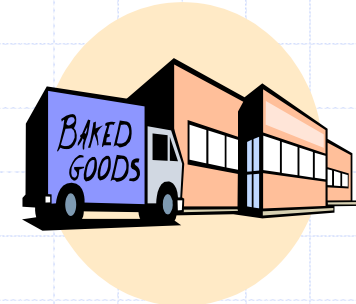
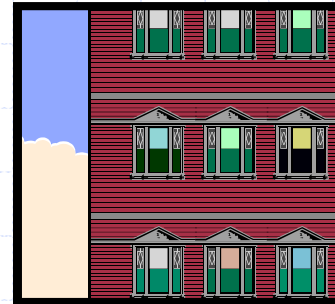
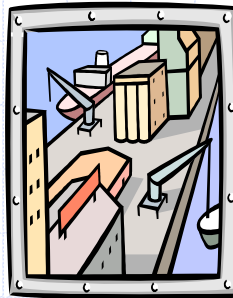
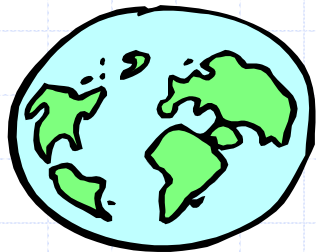
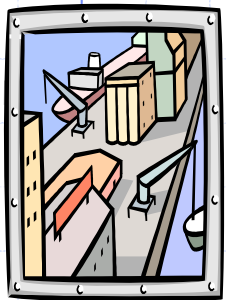
Table with multiple columns and rows, containing data related to shipping containerization and reusable packaging. The table is divided into three main sections by horizontal lines. Each section contains numerous rows of data, likely representing different parts or components. The columns include various identifiers, descriptions, and quantities. The text is small and difficult to read due to the high resolution and compression of the image.

## Material Management

- Build to schedule daily, every part number
- Shipping frequency: Every 15 days to schedule mix;  
There will be two shipments in-transit to USA
- In-transit time: 30 days
- Safety stock: two shipments  
(30 days, or possibly 15 after initial experience)
- Line feed to customer: one shipment  
(variable from 15 days to 0 days)

Manufacturer always maintains 15-days finished goods stock on hand to protect against down-time (initial stages)

# Material Management *(continued)*



Ship A  
departing  
Chinese port

Ship B  
15 days  
at sea

USA port,  
Ship B due  
in 15 days

WAREHOUSE  
Safety stock  
two  
shipments

Customer  
line feed

Customer  
factory  
delivery

## Logistics

- Material flow offshore to end-customer
- Shipping China-USA warehouse = 1 month
- Safety stock in warehouse = 1 month
- Line-feed stock “just in time” = 2 weeks
- Total inventory period = 75-90 days
- Manufacturer terms = 90-days net FOB

## Financial Requirements of Sales to OEM Customer

- Accounts Receivable = 60 days net DDP
  - Customer pays 60-days after delivery
  - Manufacturer/Exporter cannot finance raw material + 90-days inventory + 60-days
  - Importer (LJC) must pay duty at USA Customs
  - Importer (LJC) must pay shipping charges when goods reach warehouse
- 
- Total financial collection cycle = 135-150 days

# OBJECTIVES

## **LJC Deliverables**

- Parts manufactured to specification
- Uninterrupted high volume supply
- Competitive costs
- Leading technology

## **LJC Requirements**

- Realistic volumes
- Arbitrage of raw materials cost increases
- Protection of proprietary technology

## Asian Sourcing Initiative

- Delivering superior products
- Improving customer profitability/cost savings
- On-shore tiered component supplier
- Off-shore lean manufacturing at hi-volumes
- Focus on high value-added components and assemblies



## Strategies for Development

- **First** – Understand current product and function; determine project feasibility; study readiness and competitiveness of China supply base for high volume, repetitive schedules.
- **Second** - Identify/develop manufacturers with OEM export potential in China for target product; identify potential product & process improvements.
- **Third** – Start-up mass production system designed for reliable industrial cost modeling.

## Strategies Executed

- Utilize LJC-proven manufacturing processes to supply superior quality goods at low-cost.
- High-speed “line manufacturing” implemented instead of “batch manufacturing”.
- Deliver timely, uninterrupted product stream via innovative packaging and logistics.
- Continuously improve operations to meet productivity (cost-down) commitments.

## Competitiveness

- LJC is the best-cost producer of OEM products
- Confirmed pricing
- Lean manufacturing in choice low-cost country
- LJC sourcing in place to deliver lowest prices
- Continuous improvement instilled
- Proprietary industrial engineering cost model

## Realistic Volumes

- LJC mfg = mass production capacity
- Capacity utilization gets/keeps resources in place
- China facilities = flexible production planning
- No complacency/fickleness

## Protecting Technology

- LJC develops proprietary equipment, processes and products
- These improvements are unique to LJC
- U.S. and international patents are pending, which cover these developments exclusively
- LJC provides customer access to the technology as a customer
- LJC actively procures patent rights

## SUMMARY

- LJC – an American Company serving customer from next door, and communicating in a common language
- LJC identified opportunities for improving product performance
- By designing a more efficient process, LJC sets new standards for better and lower cost products
- These improvements change the basis of competition for LJC and its customers
- LJC is your “one stop” supplier for all your needs and a worry-free relationship.

# Core Values

- Passion, enthusiasm and tenacity
- Development and innovation by everyone
- Create a coaching-oriented environment
- Skillful, smart and hard-working
  - Do it now
  - Do it without fail
  - Do it until completed

# Our Strengths – Our Product

## Our Customer







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