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Leveraging Strengths



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The Sumitomo-Demag merger, that marriage of giants, has created the first truly globally operating injection molding equipment maker. With a market share of some 12 %, the company has the critical mass needed to expand and provide effective customer service worldwide.

Plastics Innovations: *Up to now, the year 2008 has seen a number of moves in the European machinery market that have strongly affected the structure of this market. New, and in some case unexpected alliances have been formed. It now seems as if the market is finally settling down. Can you comment?*

The IMM market is highly competitive and, related to the technological trend towards fully electrical machines, the market share will be redistributed –especially in Europe. To have the potential to develop the demanded new products for the market and to be able to offer them at a reasonable price level the companies of our branch have to overcome a critical size. This is necessary to realize economies of scale and to offer a reliable, worldwide service and competence network. This is the background of the ongoing consolidation process in the IMM market.

One important prerequisite to succeed is a long term strategic

approach. Short term profit maximization is not the key to success. Therefore I am not sure if the market is really settling down.

Plastics Innovations: *The merger between Demag and Sumitomo became official on March 3. Since then, the integration process has progressed at an impressive rate. What are the strengths of the two companies, and how do these complement one another?*

Demag has excellent experiences in machine building, process automation and customization. This is exactly what the European market requires. Based on only one common platform concept Demag offers hydraulic, hybrid and all electric injection molding machines with an interchangeable option catalogue.

Sumitomo is the expert in drive- and injection technology. Sumitomo, now Sumitomo-Demag, is one of only two IMM manufacturers worldwide who has these core competencies in house.

Together Sumitomo-Demag has an installed machine base in the world of more than 100.000 units and follows its customers wherever necessary. Very important to us is that Sumitomo and Demag follow the same cluster approach focused on Automotive, Medical, Electronics and Packaging. Whereas Demag has special strengths in the packaging and the automotive sector, Sumitomo is well experienced in medical and electronics. This is a good example how our companies complement one another and how they are able to leverage each other.

Plastics Innovations: *With the acquisition of Demag, Sumitomo has gained a toehold in the European market - a market in which the company hitherto had only a limited presence. How will customers benefit?*

Sumitomo-Demag is now present in each of the European countries, either with subsidiaries or with representatives. Together with Demag, Sumitomo was able to close the geographical and cultural gaps. Important to us as well is the joint venture of Demag and L&T in India to address this fast growing market in the future and the presence in the strategic markets of Eastern Europe/ Russia, Brazil and the Middle East. Finally Sumitomo-Demag perfectly fit to each other without mayor overlaps and a huge potential of synergies.

Plastics Innovations: *Demag has production sites in Schwaig and in Wiehe. Do these plants have the capacity needed for the combined Demag - Sumitomo operations? Are there expansion plans?*

The European headquarter of Sumitomo-Demag will be in Schwaig, Germany wherefrom all the European activities will be led in the future. Together with the production site in Wiehe there will be enough capacity to follow the expected European demand for all electric machines.

Plastics Innovations: *The IntElect has been selected as the platform for the sale of electric injection molding machines in Europe. The machine will be built with Sumitomo drives. What other changes can we look forward to?*

The IntElect is based on the same platform as the hydraulic machine Systec and the hybrid fast cycling machine El-Exis. Therefore all the latest Demag developments and technologies, for instance the advanced energy saving solutions, are available for each of the product lines. This consequent platform concept has made it very

easy for Sumitomo to integrate their drive technology. Beside the drives we use the high performance Sumitomo injection unit for the IntElect as well.

Beside the IntElect platform the all electric Sumitomo machines of the SE-DU and SE-HS series will be kept available in Europe as well, but under the condition to avoid any kind of cannibalism. We need the Sumitomo machines in Europe for the Japanese transplant business, for special applications and for customers we are, for any reason, not able to address with the IntElect.

Plastics Innovations: *Some 10% of the machines sold today are all-electric injection molding machines. Obviously this is a market with room for growth. However, will the emphasis in the future be on standardized products and generating volume or on developing technological solutions?*

We are absolutely convinced that we have to pursue our approach for customized solutions. This is what the customers expect from Sumitomo-Demag as a market and technology leader and where we have a huge amount of experiences. Of course, we are able to provide our customers with standardized solutions as well. But for our understanding "standardized" means top quality, technology, performance and support, all over the world. We do not want to compete with only cheap manufacturers, such as from China.

Plastics Innovations: *In Asia, separate product lines are being maintained. Will these be combined in the future?*

One of the mayor advantages of the Sumitomo-Demag merger is that there where nearly no overlaps of products. Demag has had prepared the production of all electric machines in China. After March 2008 we have decided together not to continue with this project to avoid competition with Sumitomo products. The hydraulic Demag machines, we are selling in Asia, are produced at the Demag plant in Ningbo. They are ideally complementing the Sumitomo product lines of all electric machines. Interesting is that the demand for the hydraulic machines is increasing as well and we have to adapt our production capacities accordingly. Together Sumitomo-Demag is now in the position to address customers we were not able to as separate companies in the past.

Plastics Innovations: *The first six months are almost up. What is the feeling generally and how is the company doing?*

The first half year was full of work, new experiences, questions and answers. I think that everybody understands that it was not possible to switch from a financial investors approach to a strategic investors approach over night. But we have reached a lot of things and we are getting an international team. The first result is to be seen at FAKUMA in Friedrichshafen.

For me it was interesting as well since I am living in Germany now. I have started a German language course, I like the people and I am beginning to appreciate the German cuisine.

Plastics Innovations: *Do you have anything you would like to add to these questions?*

Thank you to all our employees for their efforts to make Sumitomo-Demag successful, and thank you to our customers to work with us. 12