

# Update on Manufacturing Initiatives

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**December 27, 2017**

**Managing Executive Officer,**

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# Today's Takeaways

- **Sustainable growth of OMRON's businesses supported by strong manufacturing capabilities**
- **OMRON's Manufacturing Policy is our basic guideline for manufacturing. Shared understanding of this policy with our customers and suppliers is the foundation for long-term relationships which allow us to further evolve our manufacturing**
- **Procurement activity underpinned by basic supply chain management principles of OPEN, FAIR and GLOBAL**
- **Materials/suppliers with superiority from a QCD (Quality, Cost, Delivery) standpoint designated as benchmarks. Benchmark suppliers are prioritized when placing orders**
- **Collaborate with suppliers to enhance initiatives in 5 categories, such as CSR procurement, to achieve sustainability in procurements. Achieve levels required by RBA\* with Partner suppliers. Set minimum requirement standards for all suppliers.**

\*RBA : Responsible Business Alliance: Name changed in October 2017 from EICC

# Sustainability Targets for Manufacturing



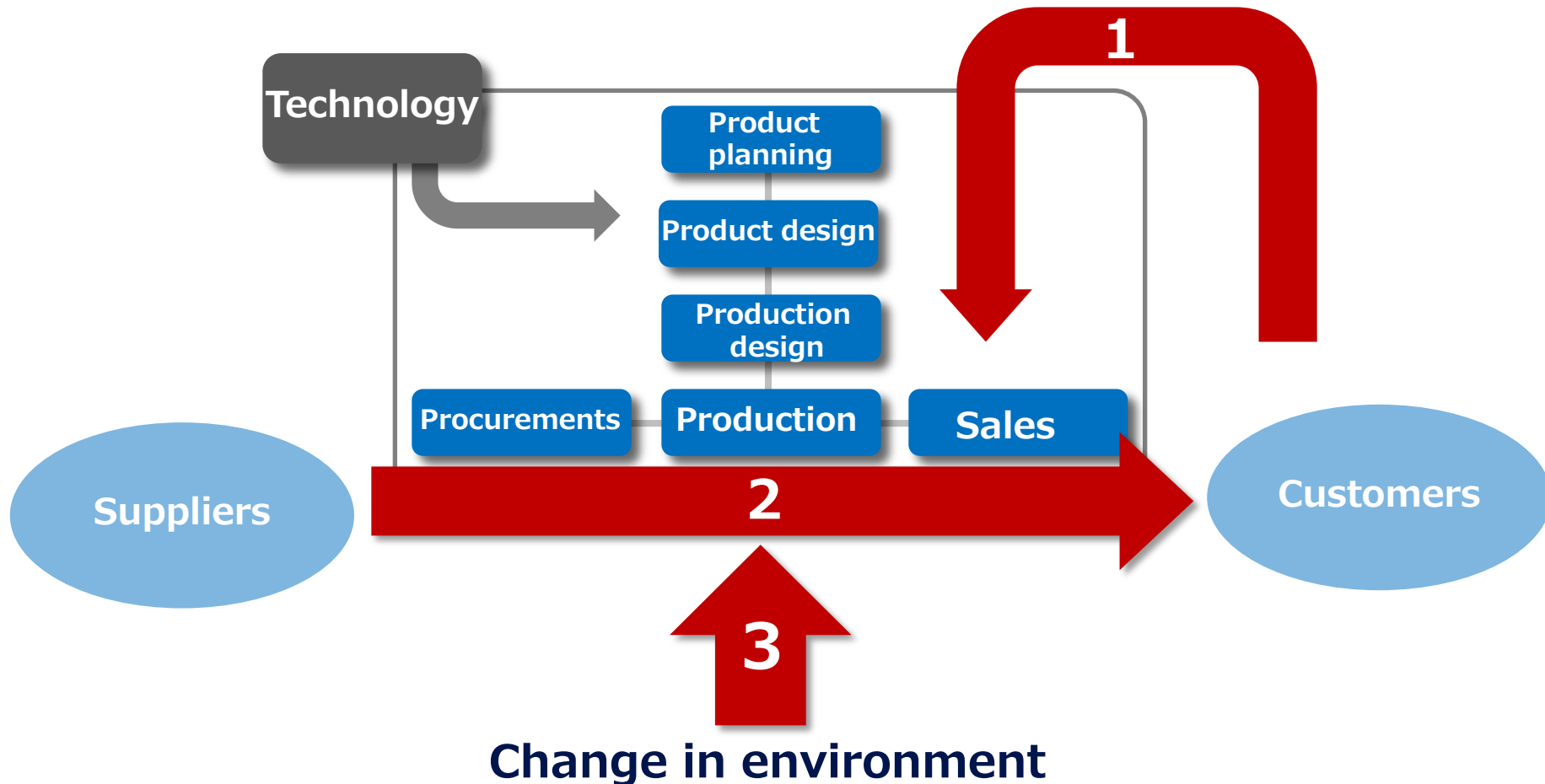
## Key Initiatives



Social Issues	FY2020 Targets & KPI
Product Safety & Quality	Product safety assessments on newly developed products: 100%
Reducing GHG Emissions	Environmental contribution >CO2 emissions from production sites
Appropriate Management and Reduction of Chemical Substances	Mercury reduction achieved through higher penetration of electronic thermometers, blood pressure monitors: 69 tons/year
Supply Chain Management	Sustainability self-assessment by major suppliers(Partner suppliers): <ul style="list-style-type: none"><li>• 100% implementation</li><li>• All scores above 85 points</li></ul>

# Underpinned by Strong Manufacturing Capabilities

1. Ability to create and refine value
2. Ability to deliver value
3. Ability to respond to changes in environment



# OMRON's Manufacturing Policy

## 1. Quality first

- Top priority: Deliver products at the promised levels of quality

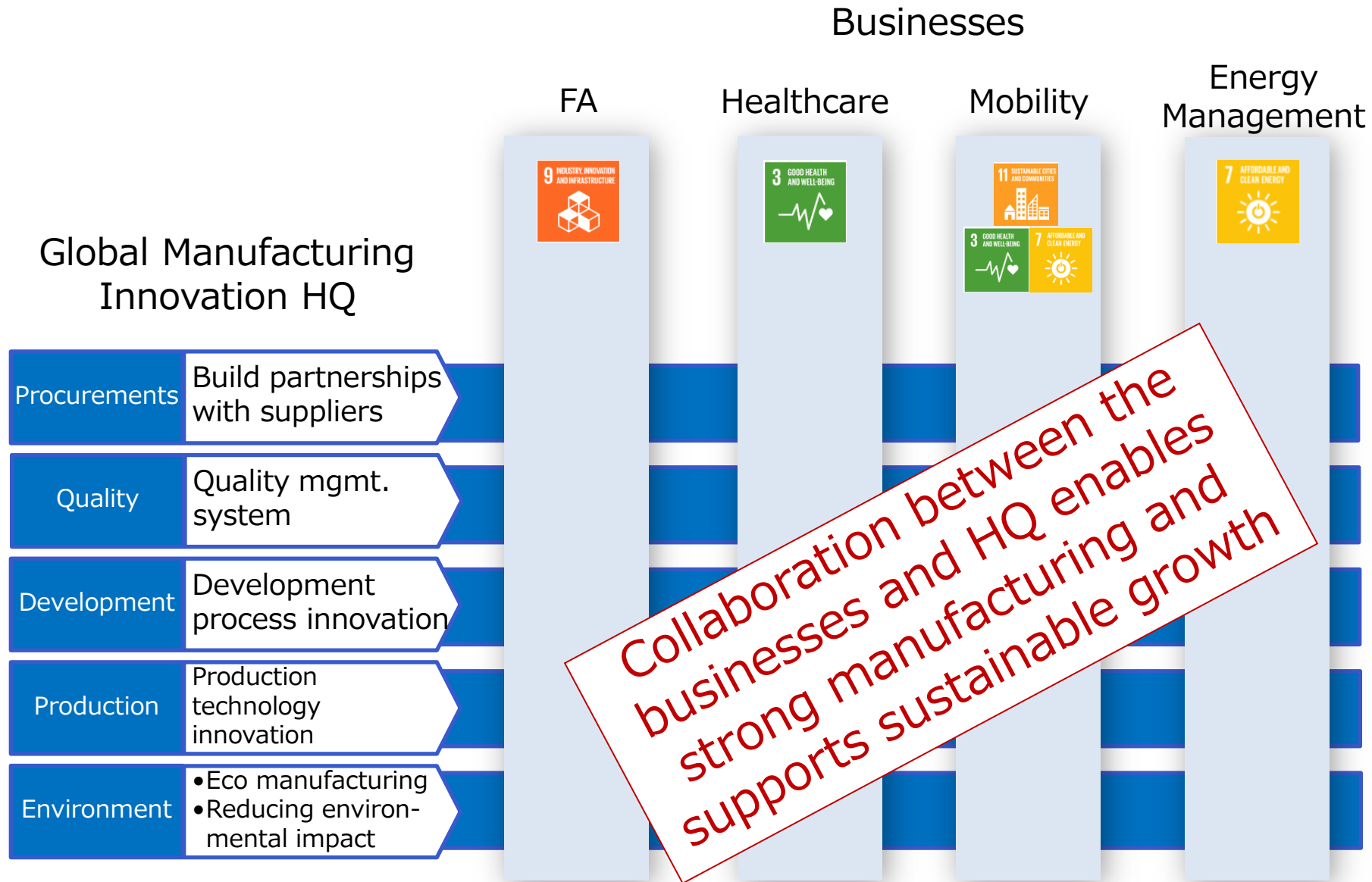
## 2. 3F (**F**ront-loading, **F**lowing & **F**lexible)

- Incorporate value demanded by customers at earliest stages of development
- Deliver what the customer needs, when they want it and in the volume required

## 3. H&E (**H**uman-oriented & **E**co-manufacturing)

- Aim to manufacture in a way that allows all involved in the process to fully leverage their capabilities
- Use finite resources with respect to promote sustainability

# Collaboration: Businesses and HQ Functional Units



# **Supply Chain Management**

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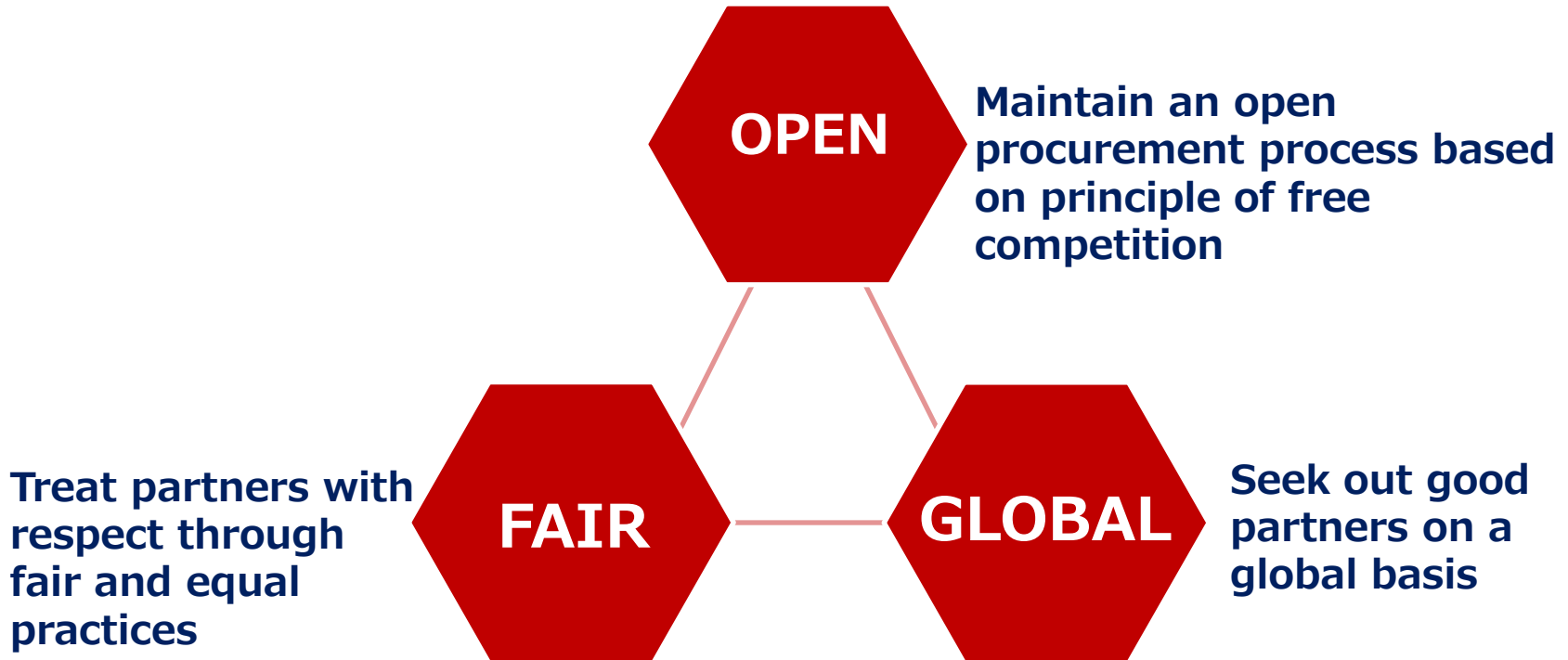
**December 27, 2017**

**Senior General Manager,  
Eizo Adachi**

**Purchasing Process Innovation Center,  
Global Manufacturing Innovation HQ**

# Procurement Policy

## Basic Policy



### Operational Policy

#### ECOLOGY

Pursue procurement practices that contribute to reducing environmental impact

#### COMPLIANCE

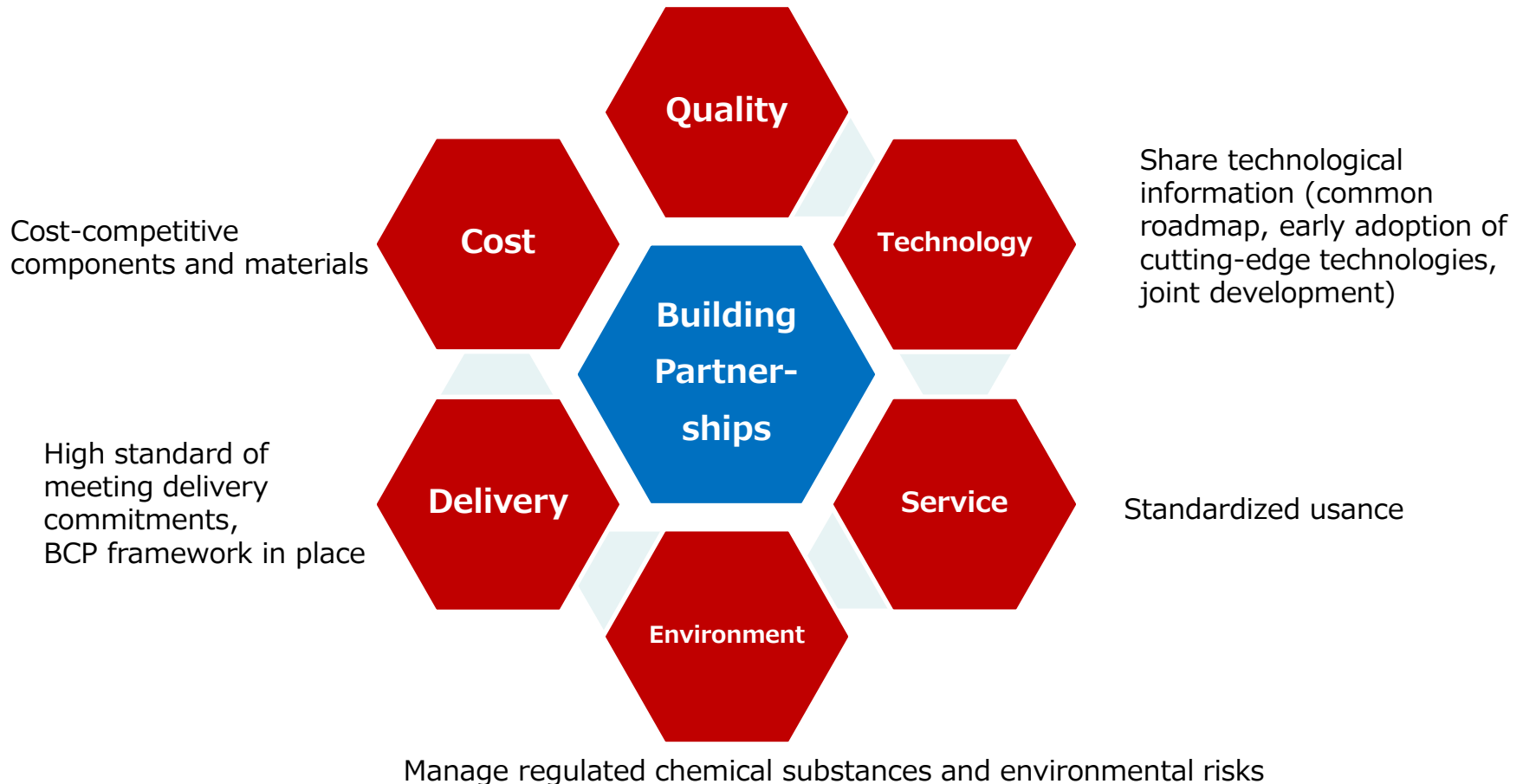
Uphold a high ethical standard in complying with regulations and business practices



# Building Partnerships

Components/materials with QCD (Quality, Cost, Delivery) superiority designated as benchmark standard. Partner with suppliers of designated benchmark components to ensure superiority in environmental risk response, service and technology

Assess suppliers: Deal only with those ranked Excellent



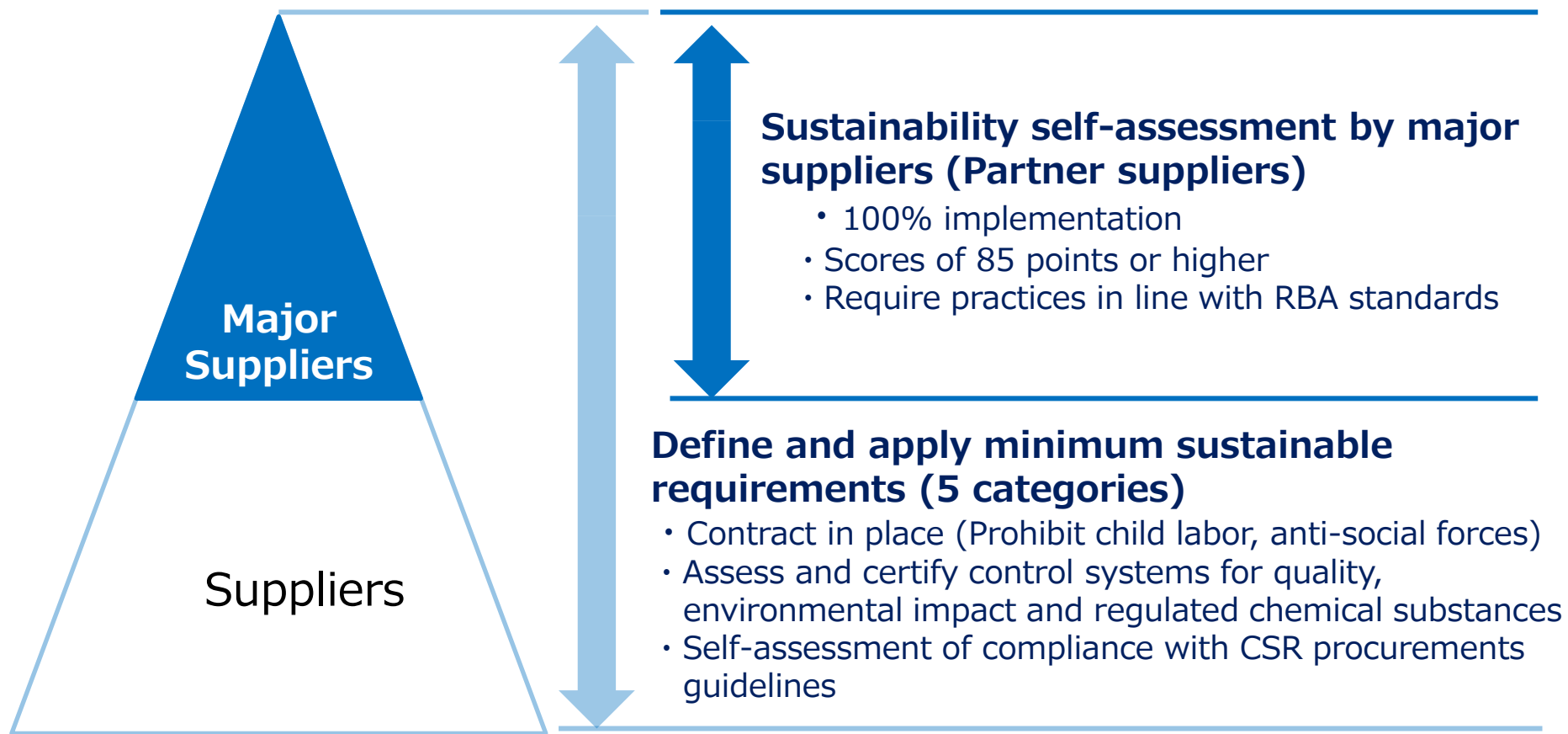
# Sustainable Procurements

Achieve sustainable procurements in collaboration with suppliers by enhancing initiatives in 5 categories



# Framework for Sustainable Procurements

**Minimum requirement standard set and applied to all suppliers  
Achieve RBA\*-required levels with major suppliers  
(Partner suppliers)**



\*RBA: Responsible Business Alliance; renamed in October 2017 from EICC

**OMRON**