Update on Manufacturing Initiatives

December 27, 2017

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Senior General Manager,
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Global Manufacturing Innovation HQ
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
# Key Initiatives

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<tr>
<th>Social Issues</th>
<th>FY2020 Targets &amp; KPI</th>
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<tr>
<td><strong>Product Safety &amp; Quality</strong></td>
<td>Product safety assessments on newly developed products: 100%</td>
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<td><strong>Reducing GHG Emissions</strong></td>
<td>Environmental contribution &gt; CO2 emissions from production sites</td>
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<td><strong>Appropriate Management and Reduction of Chemical Substances</strong></td>
<td>Mercury reduction achieved through higher penetration of electronic thermometers, blood pressure monitors: 69 tons/year</td>
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<td><strong>Supply Chain Management</strong></td>
<td>Sustainability self-assessment by major suppliers (Partner suppliers):</td>
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<td></td>
<td>• 100% implementation</td>
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<td>• All scores above 85 points</td>
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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

Change in environment
OMRON’s Manufacturing Policy

1. Quality first
   - Top priority: Deliver products at the promised levels of quality

2. 3F (Front-loading, Flowing & Flexible)
   - 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 (Human-oriented & Eco-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 between the businesses and HQ enables strong manufacturing and supports sustainable growth.
Supply Chain Management

December 27, 2017

Senior General Manager,
Eizo Adachi
Purchasing Process Innovation Center,
Global Manufacturing Innovation HQ
Procurement Policy

Basic Policy

OPEN

Maintain an open procurement process based on principle of free competition

FAIR

Treat partners with respect through fair and equal practices

GLOBAL

Seek out good partners on a global basis

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

Cost: Cost-competitive components and materials

Quality: High standard of meeting delivery commitments, BCP framework in place

Technology: Share technological information (common roadmap, early adoption of cutting-edge technologies, joint development)

Delivery: Standardized usance

Service: Manage regulated chemical substances and environmental risks
Achieve sustainable procurements in collaboration with suppliers by enhancing initiatives in 5 categories:

- CSR Procurements
- Environment, Quality, Regulated Chemical Substances
- Conflict Minerals
- Supply BCP
- Finance
Framework for Sustainable Procurements

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

1. Define and apply minimum sustainable requirements (5 categories)
   - Contract in place (Prohibit child labor, anti-social forces)
   - Assess and certify control systems for quality, environmental impact and regulated chemical substances
   - Self-assessment of compliance with CSR procurements guidelines

2. Sustainability self-assessment by major suppliers (Partner suppliers)
   - 100% implementation
   - Scores of 85 points or higher
   - Require practices in line with RBA standards

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