



Quality Control

Achievement of Globally Uniform High Quality

In light of our global production system encompassing more than 30 countries, we are continuously striving to ensure uniformity in the Group's quality control efforts.

GLOBAL MESSAGE



Taking on the Challenge of Achieving Zero Concerns

We remain focused on 3 Point Control, strengthening management and improving employee awareness of quality. Three years ago we also established the Special Committee Team to reinforce our activities and began implementing a cross-departmental project. In particular, we have improved our production systems to control change points and simplified various standards and educational materials so that our work procedures are easier to understand and simpler in terms of instruction. Through these activities, the number of concerns we received in fiscal 2017 was the lowest ever, a 80% decrease in five years. We will continue to strengthen our activities toward raising quality awareness among all employees and focus our efforts on becoming the leading company across the globe by revitalizing the activities of staff in line with workplace environments.

Senior General Manager, Quality Assurance Department
PILIPINAS KYOHRITSU INC. (PKI) (Philippines)

Noel Mills Melcard

Quality Policies

Fiscal 2017: Build "Structures to Achieve Zero" and make an effort to achieve Zero customer concerns for VISION 2017 !

- ① Pursuing No.1 quality for customer satisfaction
- ② Realizing defect-free drawing, process and system
- ③ Enhancing Genba (worksite) strength for forestalling control and early detection of problem

Own Process Assurance Activity

The SWS Group places a high priority on actions for improving quality toward achieving zero quality defects. At the foundation of this effort lies the "Assurance of Each Process" activity, under which the design division creates designs that eliminate any element that could cause a defect in quality before the product is made. The production engineering division establishes processes that preclude defects as well as processes for quickly identifying and eliminating them before a product reaches the next stage. Moreover, activities undertaken by the manufacturing division stringently adhere to the procedures in place for ensuring that defects do not occur in regard to any change point.

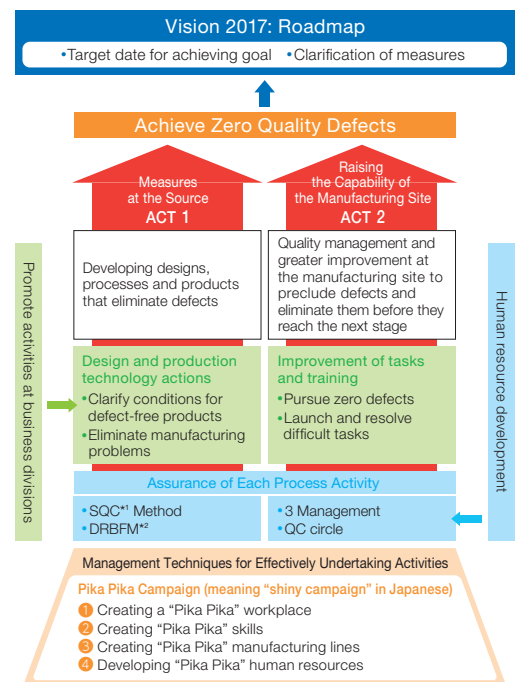
3 Point Control

To prevent defects, we use and visualize 3 Point Control as a means of promoting at all our manufacturing sites through management of: (1) changes, (2) abnormalities, and (3) compliance with work standards. We define those associated with major events, such as the production of new products or a sudden increase in production, people, equipment or materials as changes, and those that lead to product defects, including abnormalities in equipment, material quality and blackouts as abnormalities. To manage the compliance status of work standards, we monitor each employee and seek to identify the cause of any non-compliance to improve our standards, jigs and tools, and design.

Onsite Practical Training for Quality Improvement Conducted at Overseas Manufacturing Sites

The overseas production ratio for our wire harnesses, our core products, is 98%. To achieve "zero concerns for Vision 2017" and realizing "worldwide uniform quality" as a company quality department, we are committed to implementing practical onsite training for quality improvement at overseas manufacturing sites. Specifically, we provide

Priority Actions Related to Quality Improvement



*1 SQC: Statistical Quality Control
*2 DRBFM: Design Review Based on Failure Modes

quality improvement training to the leaders of the local manufacturing and quality assurance divisions to eliminate any recurring defects within the processes. These sessions are conducted under our leadership and make analysis of defect cause with actual products on-site. After completing the training program, each trainee initiates voluntary improvement activities at their manufacturing site as a trainer and we follow up on these activities. The trainees can thereby feel a sense of accomplishment in achieving goals and locally developed measures to be used for quality improvement at their sites. Currently there are 25 people being trained at our sites in Morocco, Romania and Egypt, leading to the establishment of the foundations for quality improvement and the spread of related activities at each location.

In fiscal 2014, we started providing training programs, mainly in Morocco, Romania and Egypt, and we plan to build on the results to expand to North America and Mexico in fiscal 2018. To achieve further global expansion, we will systemize these programs to broaden their reach worldwide to our sites not only in Europe and North America but also in China and ASEAN countries.

● Pursuit of Customer Satisfaction

In fiscal 2017, despite falling short of achieving our objective of receiving zero concerns, the frequency of concerns received improved compared to the previous fiscal year and to a record high level. The SWS Group will continue striving for zero concerns.

▮ Earning the Respect of Our Customers

Over the years we have consistently sought to provide high-quality products that earn customer trust. This has resulted in the high regard of our customers around the world as well as 52 awards for our products in 13 countries in fiscal 2017. We remain committed to delivering products that consistently merit the trust of customers.

▮ Pika Pika Campaign for Achieving Globally Uniform Best Quality

To achieve Globally Uniform Best Quality with the highest product appeal, we promote our Pika Pika Campaign, which is fairly self-explanatory for our employees. The campaign represents our basic manufacturing principle, developed based on the idea that creating a “Pika Pika” (shiny) mind, actions, skills, equipment and worksites leads to “Pika Pika” products. The campaign is composed of four elements: PK evaluation, G-STARS, human resource development, and HAI-Q activities for quality improvement, leveraged by the other three elements, to achieve zero defects.

Our annual PK evaluation involves having those in charge of quality at headquarters visit all our overseas plants and checking and evaluating each manufacturing process with local employees over a three-day period. It is intended to accelerate improvements at each plant by clarifying weak points. In fiscal 2015, the evaluation, initially based on an overall score system, was revised and improved so that it would assess the degree of achievement in safety (S), quality (Q) and productivity (P).

G-STARS is a standardized set of basic skills required by all employees as well as special skills needed for each work process. We annually hold the Skill Olympic Games to increase employee motivation as a means of further developing their skills, and outstanding operators from around the world gather to compete in their respective areas of expertise.

As part of our human resource development efforts, we are working to develop master trainers who train the leaders of each plant in line with the characteristics of each country.

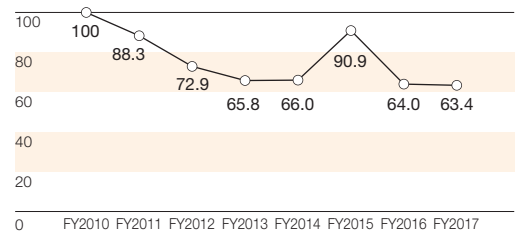
HAI-Q, an initiative to achieve zero defects within all our processes, involves stopping a production line each time a defect occurs in order to identify its cause.

Through these efforts, we promote the Pika Pika Campaign every day to ensure that employees are always working to their full potential.



Wire Harness Division contestants at the Skill Olympic Games

► Changes in the Number of Concerns Received from Customers (Index: fiscal 2010 = 100)



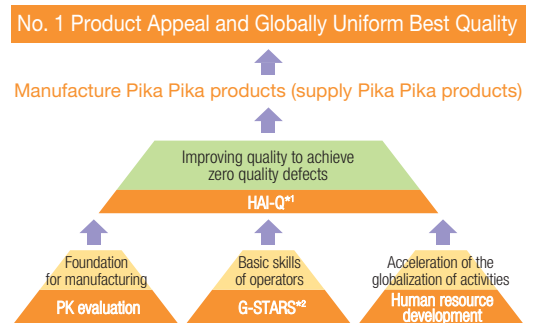
Voice

Participating in QC Circles

Antaki Madiha
Team Leader,
Assembly Department,
Kenitra Plant
SEWS-Maroc SARL (Morocco)

My job as a team leader is to coordinate with all departments on ways to reduce the burden on workers. Participating in QC circle (small-group) activities has taught me how to analyze facts based on the SWS 10-Step methodology and how to identify problems and solutions, together with many specialized teams. This has strengthened my knowledge as well as communication between our departments. Finally, I would like to thank those who have supported us in resolving issues through QC circles.

► Basic Concept of the Pika Pika Campaign

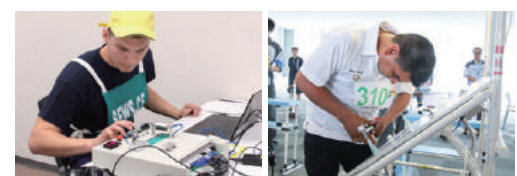


*1 HAI-Q: Harness Innovation Quality
*2 G-STARS: Global Skill Training and Recognition System



PK evaluation conducted at our plant in India

► Skill Olympic Games



Parts Division

Wire Harness Division