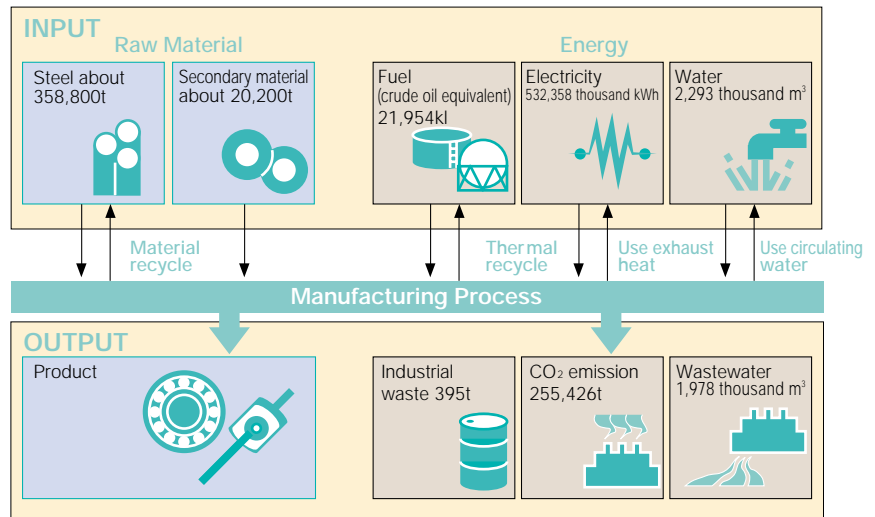


Environmental Management

For appropriate environmental management, a management system is critical. At NTN, we are striving to grasp the entire picture of environmental costs by analyzing conservation expenses. We are also working to expand ISO 14001 certifications and implement environmental audits so that we can engage in more efficient environmental management.

Business Activities and Environmental Hazard

Production for the entire NTN Group (steel and secondary inputs) totaled 379,000 tons, 30% greater than the previous fiscal year. As a result of our energy conservation and zero emission (zero waste) efforts, however, we were able to limit CO₂ emissions to a mere 4% increase over the previous year.



Environmental Accounting

In fiscal 2005, we spent 1.193 billion yen on capital investment for environmental conservation, and other environmental conservation costs were 3.433 billion yen, for a total of 4.626 billion yen. The economic benefit from these measures amounted to 376 million yen, far exceeding the figure for the previous year's benefit.

[Accounting standard for environmental accounting]
 • Applicable period: April 2005 to March 2006
 • Organizational scope: the 13 manufacturing sites in Japan that have ISO 14001 certification (multi-site)
 • Conforms to Japan's Ministry of the Environment "Environmental Accounting Guideline - 2005 edition"

Environmental preservation costs

Unit: million yen / year

Classification of Environmental Preservation Costs		Environmental Equipment Investment		Environmental Preservation Investment Costs	
		Amount	Details	Amount	Details
1) Cost of in-factory facilities (Environmental preservation cost for inhibiting environmental hazards caused by business activities)	Pollution prevention costs	52	Environmental equipment (dust collectors, particulate smoke removal devices, wastewater treatment equipment)	161	Maintenance, inspection, and management of environmental equipment (dust collectors, particulate smoke removal devices, wastewater treatment equipment)
	Global environmental preservation expenses	59	Energy conservation equipment such as new inverters (motors, illumination, air conditioning), equipment to natural gas	67	Equipment costs and peripherals for changing to inverters (motors, illumination, air conditioners)
	Resource recycling expenses	22	Grinding swarf briquetting machines, recycling of waste, equipment to reduce waste	484	Equipment cost for grinding swarf briquetting machines (maintenance costs, intermediate processing costs for waste material, transportation cost, etc.)
2) Upstream/downstream expenses (Environmental preservation cost for inhibiting environmental hazard caused upstream and downstream from the business activities)		0		5	Green procurement (OA devices, paper, stationery, etc.)
3) Management activity expenses (Environmental preservation cost for management activities)		0		236	Labor costs for EMS. Disclosure of information (advertising, environmental action report) Greening and beautification of company grounds
4) R&D expenses (Environmental preservation cost for R&D)		1,060	R&D equipment related to environmental conservation	2,441	R&D costs related to environmental conservation
5) Social activity expenses (Environmental preservation cost for social activities)		0		1	Greening and beautification out of company grounds
6) Environmental remediation expenses		0		38	Soil remediation
Grand total		1,193		3,433	
(Reference) Grand total for previous year		975		3,401	

■ Impact on Environmental preservation

Indicator	Result (for fiscal 2005)
CO ₂ emission rate	18% reduction relative to fiscal 1997
Reduction of waste	Recycle rate 99%
Reduction in amount of paper purchased	29% reduction since fiscal 1998
Reduction in amount of Styrofoam purchased	81% reduction since fiscal 1999

■ Financial effect of environmental preservation activities Unit: million yen / year

Items	Amount	Details (for fiscal 2005)
Profit from sale of valuable materials such as metal sludge	117	Profit from sale of saleable recyclable materials
Results of energy conservation from air conditioning & illumination	149	Cost reductions through energy conservation
Results of introducing the grinding swarf briquetting machine, etc.	110	Waste processing cost reductions through recycling
Grand total	376	
(Reference) Grand total for previous year	356	

Present State of ISO 14001 Certifications

At NTN, we are working to obtain ISO 14001 certification for all sites, both domestic and international. To efficiently carry out unified environmental management at all of our companies, we have obtained multi-site certification for 14 domestic sites and 12 overseas sites obtained ISO 14001 certification as well.

In fiscal 2005, Mie Corporation (Kuwana City, Mie Prefecture) obtained multi-site certification, and overseas, Shanghai NTN Corporation obtained the certification



Japan-registration certificate (multi-site)



Registration certificate of Shanghai NTN Corp.

■ Certified Operating Sites

Area	Operating Site		Year/Month Obtained		Registration	
	Company Name	Plant Name	Year	Month	Registration No.	Registration Agency
Domestic	Obtained collectively through the multi-site method		1999	11	JSAE176	JSA
	(Sites included are: Kuwana Works, Iwata Works, Okayama Works, Takarazuka Works, Nagano Works, NTN Kongo Corporation, NTN Mikumo Co., Ltd., NTN Engineering Plastics Corporation, NTN Powder Metal Corporation, Hikari Seiki Industry Co., Ltd., NTN Casting Corporation, NTN Omaezaki Corporation, NTN Mie Corporation and the Head Office.)					
USA	NTN USA Corporation	Head Office	2000	4	0112005	LRQA
	American NTN Bearing Manufacturing Corporation	Elgin Plant	2000	6	111994	LRQA
		Schiller Park Plant	2000	9	112115	LRQA
	NTN-BOWER Corporation	Macomb Plant	2000	6	111998	LRQA
		Hamilton Plant	2000	6	111999	LRQA
	NTN-BCA Corporation, Litz Plant		2000	7	A8699	UL
NTN Driveshaft, Inc.		1999	12	A8478	UL	
Canada	NTN Bearing Corporation of Canada, Canada Plant		1999	7	287	KPMG
Germany	NTN Kugellagerfabrik (Deutschland) GmbH, Mettman Plant		1999	6	201167-2	LRQA
France	NTN Transmissions Europe		2003	1	19479	AFAQ
Thailand	NTN Manufacturing Thailand		2003	8	31634	TÜV
China	NTN-NIDEC (Zhejiang) Corporation		2005	1	02005E10013ROL	CNAB
	GUANGZHOU NTN-YULON DRIVETRAIN CO., LTD.		2005	4	104 043247	TÜV
	Shanghai NTN Corporation		2005	7	CHO5/0489	SGS

■ Operating Sites expected to be Certified.

Area	Operating Site	Year/Month Obtained	
		Year	Month
China	Changzhou NTN-Guangyang Corporation	2007	5

Environmental Management

Environmental Auditing

Internal auditing and cross-auditing

In addition to ISO 14001 assessments by external organizations, we have introduced "internal audits" done internally by the operation site, as well as "cross-auditing" done by a separate NTN entity. Cross-auditing is an opportunity for both the target site and the personnel performing the audit to learn useful things and identify potential improvements. This provides excellent opportunities to



Cross-auditing

improve the environmental management system at many sites.

Customer audits

In fiscal 2005, we received two customer audits, in addition to those performed in 2004. These audits focused on the management of environmentally hazardous substances and NTN was commended for our management structure and processes.



Environmental audit by customer

ISO 14001 renewal assessments

In October of 2005, we received a "migration" assessment because of an update to the "ISO 14001: 2004 standard". This was carried out at the same time as a renewal assessment for the NTN Group's domestic multi-site certifications and NTN successfully passed both the renewal and the migration audits. Also, NTN Mie Corp.'s certification was incorporated into the NTN Japan Group's multi-site certification.



ISO 14001 renewal audit

Responding to legal requirements

Movements to restrict toxic substances inside products started in Europe in recent years and have spread worldwide. Our company regards the protection of the global environment as a priority management issue and we are proactively working to eliminate the use of toxic substances from our primary products, bearings and constant velocity joints.

Responding to restrictions on the use of toxic substances

We have implemented the ELV directive (which targets the use of toxic substances in automobiles) and the RoHS directive (which targets the use of these substances in electrical and electronic equipment). Since

October 2003, we have procured parts for our bearings that contain absolutely no toxic substances. Moreover since March 2003, we have offered alternative materials in our automotive constant velocity joints and we have accomplished the complete elimination of toxic substances.

Data analysis and maintenance

To prove that products do not contain environmentally hazardous substances, NTN and its suppliers have collected information and analysis results on the chemical composition of NTN products. We maintain databases with the quantity of each chemical present.

Supplier meetings and education related to managing environmentally hazardous substances

Laws, regulations, and customer management standards for the management of environmentally hazardous substances are revised quite frequently.

To ensure adequate compliance with local legal requirements within NTN and in NTN's supply chain, our company holds supplier meetings, department-specific worker education, and training for new employees to share knowledge and information.



Training for new employees



Worker education



Supplier meeting

NTN employees with qualifications

The more legal requirements become diverse and complex, the more swiftly and accurately we must respond. NTN encourages employees to obtain various qualifications to improve NTN's capabilities.



(As of March 31, 2006)

Major Qualifications		Number of Employees with Qualification
Energy Management Qualifications	Qualified electrical energy manager	18
	Qualified thermal energy manager	20
Pollution Prevention Manager	Air (categories 1-4)	29
	Water (categories 1-4)	48
	Noise	22
	Vibration	17
High-pressure Gas Manufacturing and Security Manager	Refrigerating equipment categories 2, 3	11
	Categories A and B Chemical	12
	Category C Chemical/Liquefied petroleum gas	75
	Category C Chemical/special test items	49
	Category B Machinery	2
Chief Electrical Engineer	Categories 1, 2	5
	Category 3	41
Environmental Measurement Analyst		5
Working Environment Measurement Expert (Type 1, Type 2)		2
Manager of Specially Controlled Industrial Waste		25
Manager of intermediate treatment facility for industrial waste		5
Manager of poisonous and harmful substances		16
Assistant Auditor for ISO 14001 Specification		3
Total		405

Environmental communication

The NTN Group actively issues information about our environmental activities and we are working to enrich our communication.

To the general public

In order to disseminate the results of NTN's environmental activities, we issue a "CSR Report" (previously, the "Environmental Action Report"). We also inform the public through our home page as well as through newspapers and magazines.

To people inside the company

We offer environmentally related information that each employee should know as a matter of course in "TALK21", the NTN Group Bulletin. This includes our environmental policy, activity targets, and recent overseas developments (particularly those in the EU). We expect employees to increase their level of environmental awareness through this bulletin.

Responding to inquiries

In fiscal 2005, there were over 1,000 inquiries about the content of environmentally hazardous substances from our customers, a sign of the strong interest in the RoHS directive (which came into effect in July of this year). Despite several thousand substances to be investigated, we were able to respond to every inquiry through the total support of our suppliers.

We expect there will be even more inquiries this year, but because of the creation of our database of environmentally hazardous substances, we will be able to answer our customers quickly and accurately.



NTN Group Bulletin



Environmentally hazardous substance database system