

# Creating a Good Partnership with Suppliers

The company is striving to create a good partnership with suppliers through clarifying its basic policy of procurement and developing and maintaining fair transactions with suppliers.

## Basic procurement policy

### Improving corporate value together with suppliers

Our basic policy of procurement is to improve corporate value long-term together with suppliers through procuring better and cheaper products from the world while assuring quality (including impact on the environment) and performing just and fair transactions.

The procurement strategy of this company is to realize the most appropriate procurement while continuously improving quality and technology, by attaching great importance to long-term relationships while fostering mutual trust and cooperation with commission agents who are positioned to be strategic partners.

### Procurement policy of 2006 and the summing up

NTN's procurement policy for 2006 is "to maintain stable delivery quality" and "decrease procurement costs." We continuously worked on VA\*1 and VE\*2 together with suppliers.

As a result, we have improved our quality further and reduced costs. In 2007, to strengthen the activity, we will promote cost reductions throughout all processes from raw material to products at suppliers' production sites.

\*1 VA (Value Analysis): Systematic control method for changing design or specifications, reviewing alternate products, etc. to achieve the best balance between performance and cost.

\*2 VE (Value Engineering): A series of methods to enhance relative value of products by factor analysis and review of product value and cost.

### Opening of Supplier Meeting

This company holds Supplier Meetings to explain production to major suppliers twice a year (in March and September).

In the March 2007 meeting, suppliers were evaluated on various aspects such as production (increased production), cost, VA/VE, certifications such as ISO 9001, ISO 14001 etc., and 8 companies received an award.

In addition, the 4 basic policies of CSR



Luncheon at Supplier Meeting

procurement was explained in order to share the idea of CSR. We gave them guidance regarding the acquisition of environmental certification as specific assistance.

## Basic Policy on CSR Procurement

1. To pursue stable procurement for best quality/cost and prepare for market fluctuations.
2. To improve corporate value for both sides through mutual cooperation.
3. To create trust with affiliated companies by observing rules, regulations and social precepts.
4. To comply with social duties (such as preservation of the global environment) through procurement activity.

## To maintain fair and appropriate relationships

### System to implement fair transactions through auditing

This company created a "voluntary audit manual for subcontractors" in 1997 and created a system to audit internally and ensure fair transactions. In addition, in November 2001, we issued the "Control manual for raw material procurement" for the purpose of respecting suppliers' interests and performing fair transactions based on the principle of faith and honesty as we have selected, contracted with and evaluated suppliers.

As of March 2007, the company has 1,294 domestic suppliers in total and 409 companies are subject to the subcontract law (the Act against delay in payment of Subcontract Proceeds etc. to Subcontractors).

Based on the voluntary audit manual for subcontractors, Procurement HQ audits each plant on payments and found no improper transactions in 2006.

## Contact window for suppliers

### Operation of help line for suppliers

With NTN's public interest whistleblower protection system established in April 2006, we made a system that receives communications from suppliers and linking to NTN's Help Line (see p. 19) for public interest reporting.