

Creating an Environmental Management Structure for the Entire Supply Chain

As part of a manufacturer's social responsibility, we are creating an environmental management structure and strengthening the management of environmentally hazardous substances for not only NTN, but also for the entire supply chain.

Supporting supplier certifications

Expanding environmental management systems to small companies

To expand the circle of environmental management systems to suppliers, we are requesting our main suppliers to obtain environmental management system (EMS) certifications of ISO 14001 and "Eco-stage"*1 for medium sized companies, and providing them with support to acquire the certification.

As part of our efforts, we planned and suggested "Eco-stage entry version"*2 that is an abridged version of Eco-stage for small companies, and since 2005, we have supported the certification process. In the entry version, minimum requirements for environmental management are defined as a primary purpose and the cost to obtain the certification is less than the conventional certification. In fiscal 2006, former NTN employees supervised suppliers with less than 15 employees to establish appropriate targets for improving defect rates and other management aspects. As a result, 13 companies obtained the Eco-stage entry certification through March 2007.

And 227 of 281 suppliers (81%) have obtained the environmental management certifications of ISO 14001. We requested the remaining suppliers to work aggressively and are encouraging all the suppliers to obtain certification by the end of fiscal 2008. We established a system to present environmental awards to suppliers who work aggressively to obtain the certification and achieve remarkable results.



Assisting company to obtain Eco-stage entry certification

*1 Environmental management system of Eco-stage association: Mid-sized, limited liability company

*2 We presented to the Eco-stage association the concept of a cheaper, secondary certification for companies with less than 15 employees. It was adopted as a trial level of EMS certification.

"Green Procurement"

Management of environmentally hazardous substances

We are making efforts to produce products that do not negatively impact the environment. All procured parts and materials for production are subjected to our Green Procurement program. Suppliers' cooperation is essential for Green Procurement and we are striving to involve the entire supply chain management, from initial sources up to material makers. Also, we are promoting our purchase system, paying attention to the environment, and supervising initial sources since many of our initial sources are small and medium sized companies.

To respond to the regulations on environmentally hazardous substances of the E.U. ELV directive (End of Life Vehicles Directive) *1, RoHS directives (Electrical and Electronic Directive) *2 and customers' green procurement criteria, we conducted explanatory meetings for suppliers and requested a reduction of environmental impacts at the stage of material procurement and the stage of production. Also, we requested suppliers to conduct internal environmental audits and when necessary, we visited them to verify the results of the audit and to supervise.

In November 2006, we established an internal engineering standard of "Limited use of environmentally hazardous substances for raw materials and parts." In the standard, NTN's criteria on hazardous substances and description methods on drawings are specified.

*1 ELV (End of Life Vehicles) directives: Substances subject to regulation are mercury, cadmium and hexavalent chromium. Enacted in July 2003. (Only hexavalent chromium for rustproof surface finishing was prohibited from July 2007)

*2 RoHS (Restriction of the use of certain Hazardous Substances in electrical and electronic equipment) directive: Substances subjected to regulation are polybrominated biphenyls and polybrominated diphenyl ether in addition to the substances of the ELV directive. Enacted in July 2006.

Response to hazardous substances regulation

Response completed prior to the effective date

NTN has completed its response to the ELV directive for vehicles and the RoHS directive for electrical and electronic equipment on environmentally hazardous substances prior to the effective date of those directives.

However there are still some products not yet in accordance with some customer-specific requirements. We will approach these customers and promote the switch to other products under the ideals of CSR and eliminating corporate risk.

Revision of environmentally hazardous substances management standards

Review and enhancement of the entire hazardous substances management structure

We established “Environmentally hazardous substances management standards” in 1998 to properly manage such substances. Due to increasing demands from customers regarding hazardous substances, our standards were reviewed entirely.

The following are the main points of the revision.

1. Addition of new concepts required for environmentally hazardous substances management.
 - The same treatment shall be used regarding substances applied to sub-materials (rinsing oil, preservatives etc.) in production that are not specified on drawings.
2. Clear descriptions of customer requirements, including:
 - Establish a new provision on “Education and Training on Hazardous Substances Management”
 - Establish a new provision of “Management of Suppliers”

In the meantime, the Environmentally Hazardous Substances Management Manual (a part of the above) that defines actual operations, was also revised.

Environmental audit

Customers' audits

NTN is actively responding to customers' audits concerning hazardous substances. In fiscal 2006, we were audited by three customers. We received high appraisals for items such as NTN's “System for review at the development stage” and “Hazardous substances avoidance based on analysis” among other items.

NTN Powder Metal Corporation, for example, was audited in March 2007 by Panasonic Communications Co., Ltd. and received a 96.5% conformity rate (an “A” ranking).

Utilizing such results, we will work for further improvement in our management of environmentally hazardous substances.



Customer audit at NTN Powder Metal Corporation