



Environmental Quality Assurance

What is Environmental Quality?

“Environmental quality” is defined as when products do not contain any “prohibited substances” that are specified by the TMD “Green Procurement Guidelines” or by our customers.

Environmental Quality Assurance System

TMD’s “Environmental Quality Assurance System” has been built as a structure that incorporates a system for managing environmentally controlled substances (prohibited substances, etc.) into a quality assurance system. Starting from the raw materials and parts procurement stage, so that our products do not contain any of the “prohibited substances” as specified by the TMD Green Procurement Guidelines or by our customers, we operate a system whereby: at the stage when we inspect received materials and parts, we “confirm that they do not contain prohibited substances”; we build “pollution prevention mechanisms” into the manufacturing process; and so at the stage when we inspect products for shipment, we can “guarantee that the products do not contain prohibited substances.”

Relationship with Our Environmental Management System

The items in the “Environmental Quality Assurance System” which correlate to our existing environmental management system are the following items of ISO14001 (2004) standard.

- Environmental policy, environmental objectives, targets and implementation plans, environmental laws (various product-related laws and regulations (European ELV, RoHS Directive and REACH regulations, and the Chinese RoHS, etc.) are especially important), environmental conservation structures, environmental education, environmental information (communication), internal environmental audits, and management reviews

Relationship with Our Quality Management System

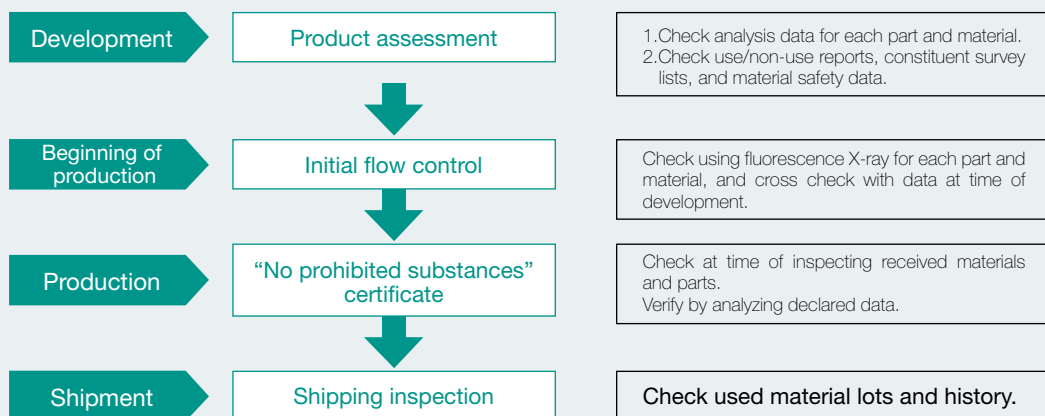
The “Environmental Quality Assurance System” is related to a wide range of stages, from the development of new products to the shipment of final products. Basically, it is the result of having added the mechanisms for managing environmentally controlled substances as part of the “Quality Assurance System.”

The system has been designed so that, during the development of a new product, a “product assessment” is conducted; and the product can only proceed to the next development stage once the results of an analysis give assurance that the raw materials and parts to be used do not contain any of TMD’s “prohibited substances.”

We also operate a system whereby analyses of mass-produced products are conducted, and in the unlikely event that any “prohibited substances” are detected, shipment of these products is stopped, urgent contact with customers is made, and corrective action is taken.



Prohibited Substances Control System



(Requests for suppliers)

In order to meet the demands of our customers, we request our suppliers to submit the constituents of the raw materials and parts, etc., as well as the latest information on environmentally controlled substances. Furthermore, we make every effort to respond swiftly to requests from customers for information disclosure.

The number of groups of TMD has currently specified 25 chemical substance groups as environmentally prohibited substances. Please refer to the following URL for more detailed prohibition conditions and a list of prohibited substances.

Prohibition Conditions

http://www.tmdisplay.com/tm_dsp/document/en/6.1table4_1_e.xls

List of Prohibited Substances

http://www.tmdisplay.com/tm_dsp/document/en/6.1form7_e.xls

Green Procurement

Based on the slogan to "never put in, bring in or release environmentally controlled substances" (these are called the "three principles of environmental quality"), we ask our suppliers to submit reports on all constituents for the purpose of complying with our Green Procurement Guidelines and for recycling.

The TMD "Green Procurement Guidelines" are revised to reflect, in a timely fashion, any changes in the European RoHS Directive*¹ and

other legal requirements, and changes in customer requirements. For more details, please refer to the following URL.

http://www.tmdisplay.com/tm_dsp/en/profile/csr_manage.html#6

*¹) European RoHS Directive: a directive regulating the use of six specified substances for electrical and electronic equipment throughout Europe.



Supplier Selection and Environmental Quality Audits

Supplier Selection

Since February 2004, TMD has selected suppliers based on the TMD “Green Procurement

Guidelines.” We plan to give greater weight to the guidelines, starting in FY2008.

● Evaluation/Selection Criteria (extract of the provisions of the TMD “Green Procurement Guidelines”)

(1) Evaluation and selection of suppliers

In selecting suppliers, TMD evaluates the supplier's commitment to environmental activities in addition to “Quality (Q), Cost (C), Delivery (D), and Service (S).” Evaluation is conducted for the items listed below, where priority is given according to obtaining ISO 14001 certification, and suppliers with higher scores are given higher priority.

1) Evaluation Item (extracted)

1. The supplier has ISO 14001 certification or plans to obtain the same.
2. The supplier is implementing Green Procurement or plans to do so.
3. Regarding environmental quality assurance, the supplier is actively working on (12 major) specified items.

2) Selection criteria (extract)

Suppliers are ranked according to their total evaluation score, and priority is given to procuring from S or A ranked suppliers (those with at least

90 points). For suppliers with evaluation scores ranked B or lower (less than 90 points), request improvements, and provide guidance and support.

(2) Selection criteria for procurement items

In addition to quality and price, a condition for selecting items to procure is that the items should satisfy matters related to recycling and to compliance with environmental laws.

1) Report on items being free of restricted substances according to the European RoHS Directive.

(Use the Analysis Data List, and an analysis report of an analysis organization.)

2) Report the status of the content of prohibited substances specified by TMD.

(If such substances are used, submit a counter plan.)

3) Report the results of the survey on all constituent chemical substances.

“Environmental Quality Audits” on Suppliers

TMD conducts “environmental quality audits” on suppliers to confirm their: (1) environmental management systems, (2) business management, and (3) process controls in manufacturing parts. TMD conducts audits on domestic and overseas suppliers of our key parts and materials, namely: backlight units, PCB/FPC and

associated assemblies, inverters, bezel, etc. For suppliers ranked B or below, we maintain contact with an aim of the suppliers improving their rank, including requesting improvements, providing support, and reconfirming their scores with follow-up audits.