

Environment Report 2008



Greetings from the President



Union Tool Co.
President & CEO Takao KATAYAMA

Union Tool, as a leading company of carbide drills for printed-wiring board, has been contributing to the development of electrical devices by providing excellent products as well as endless technology development and thus pursue comfortable and safe living environment for the human being. It has been what Union Tool has committed since the foundation of the company.

As a manufacturing company, we put much emphasis on the in-house developed processing machine. It would not be possible without good communication network among each division throughout the organization. With the well established system to answer customer needs in a timely manner, we can provide a substantial solution. I am sure that all of these efforts, including technical capabilities or service based on such systems, has contributed to the improvement of relationship and trust with the customers.

While trying our best to produce products which satisfy customer, as well as to develop an eco-friendly company all the time, we will continue our efforts on environment improvement by practicing environment management policy.

We need to reinforce our business administration and internal control as a multi-national company, so that we can achieve bigger mission at a Group level. Union Tool will continue to do our best by sincerely concentrating on our core business, production & sales of PCB drills so that we can enjoy the growth of business as well as carrying out our social responsibility.

This would be the 8th issue of "Environmental Report." I hope this "Environment Report" will help you understand our corporate efforts. It is also highly appreciated if you could give us any feedback/input to us.

April 2008

Company Profile

Basic Information

Name: Union Tool Co.
Establishment: 1960
Head Office: 4-15-8 Minami Ohi, Shinagawa-ku
Tokyo 140-0013
TEL 03-5493-1001
FAX 03-5493-1002
Capital: 2998.5 million yen
Fiscal term: November 30
Number of Employee: 751 (as of November 2007)
Average Age: 35.2
Factory: Nagaoka Factory (Nagaoka-city, Niigata)
Mitsuke Factory (Mitsuke-city, Niigata)
Laboratory: Mishima Laboratory
(Nagaizumicho, Shuntogun, Shizuoka)
Sales Office: Nagaoka Office
Anjo Office
Nagoya Office
Osaka Office
Hiroshima Office

Business:

- Cutting Tool Division
Production and Sales of Carbide Drills, Carbide End Mills, etc.
- Linear Motion Guides Division
Production and Sales of Roller Guide, Roller Table, etc.
- Other Divisions
Production and Sales of Precise Measuring Instruments, Drill Pointer, etc

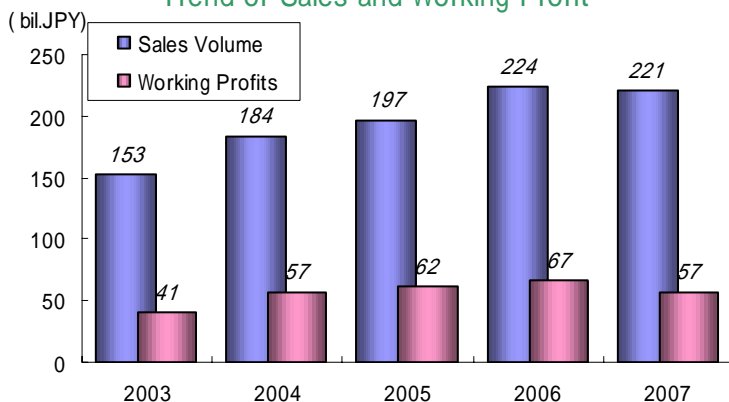
Global Network

The market is expanding globally as a development of an information-oriented society.

Union Tool has promptly begun to correspond to the market trend by establishing a global structure in 1981 by local subsidiary in California. We also have 8 subsidiaries abroad for production and sales. We are to further strengthen our global network by expanding these factories or laboratories.

TAIWAN UNION TOOL CORP.
U.S. UNION TOOL, INC
UNION TOOL EUROPE S.A.
UNION TOOL (SHANGHAI) CO., LTD.
UNION TOOL (WAIGAOQIAOSHANGHAI) CO., LTD.
UNION TOOL HONG KONG LTD.
UNION TOOL SINGAPORE PTE LTD.
DONGGUAN UNION TOOL LTD.

Trend of Sales and Working Profit



Greetings from Executive Director

In October 2006, we could open a new production site, Mitsuke Factory in the Prefectural Chubu Industrial Park.

Last year, we could obtain ISO 14001 at Mitsuke Factory. We will provide eco-friendly products by effectively utilizing the system and managing it at higher level while, cutting off wastes and rationalizing.

Not only trying to reduce environmental burden at the time of production, we also enhance our R&D to extend the life cycle of our tools, PCB drills, end mills etc, so that our customer could use them for longer period.



The new series of end mills which we launched last year were also products with longer-life thanks to the refined coating. We will continue to provide products which can satisfy our customers by answering all sorts of customer needs including higher quality, higher precision, and so on.

This report will present various activities on what we are conducting in our factory. We would appreciate if you could read it and give us any comments for mutual communication as well as for our future environmental activities.

April 2008
Union Tool Co.
Executive Director, Tadashi OKUDERA

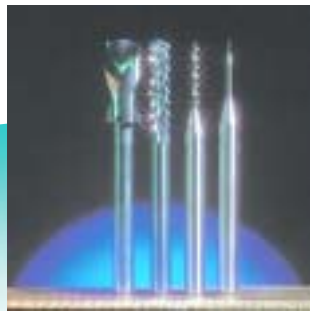
Products

All of Union Tool drills are manufactured by our self-developed designated machine. By using such machine in production, checking and packing process, we can produce high level products. Foreseeing the increasing demand for small diameter drill processing, we have enabled ourselves to be responsive to the change of market needs in a timely manner by introducing image processing testing machine, development of re-grinding machine for small diameter drills or drill-related machines. Furthermore, we have enjoyed a very high market share in Japan as well as overseas with low cost products, which could be achieved by minimizing the investment on infrastructure by developing in-house designated machine.

In recent years, many industries, including home electronics, electrical devises industry, claim the need for developing eco-friendly products. Union Tool will continue to pursue customer needs, promote longer duration, longer life cycle products and deliver eco-friendly products enabling resource/energy saving.



Carbide End Mills



PCB Drills / Router



Linear Motion products



Dice Series

UNION TOOL *Products*



Digital Measuring Instruments
micro fine series



Union Tool Co. Environment Policy

Basic Philosophy

To Contribute to the rich global environment through corporate activities of loving nature and human beings

Basic Principle

This factory will maintain a harmony with corporate activity and neighborhood and global environment by developing Environment Management System based on ISO 14001 Standard and conducting ecological activities based on following policies.

- 1 . Accurately grasp the impacts of activities of this factory, products and services and conduct environment protection activities by developing purposes and goals within our technical and economical capabilities.
- 2 . Continue to improve Environment Management System and Ecological Performance with the periodic review of their environmental purposes and goals.
- 3 . Comply with environmental laws, regulations, rules and further develop our own criteria within our capabilities and prevent pollution.
- 4 . Following will be the main theme in activities of this factory as well as in impacts of our products and service toward environment.
 - 1) Promote energy saving
 - 2) Promote Green procurement
 - 3) Promote Recycling
 - 4) Promote resource saving
- 5 . Environment Policy will be conducted and maintained by Environment Management System and also will be notified to all staff at this factory by the Corporate Management.

December, 07 2007
Union Tool Co.

Executive Director, Tadashi Okudera

We have created, at our factory, "Basic Philosophy" and "Basic Policy" as Environmental Policy in August 1999 based on the corporate culture of "to love nature, people and work." After the review of management system in December 2007 by the top management, we added "Promote resource saving" into the list of main theme and delete "Promote waste reduction" to be a maintenance item.

2007 Target and Achievements

Based on the prioritized theme of the Environment Policy of 2007(Save Energy, Waste Reduction, Green Procurement, Recycling) and the significant environmental factors of our company, we set environmental target and have implemented and promoted various programs.

Theme	Actions	2007 Target	2007 Achievement	Evaluation	Ref. Page
Energy Saving	Promote reduction of electricity use <ul style="list-style-type: none"> • Raise production efficiency • Introduce energy saving facility 	Cut 1% of electrical power consumption rate from that of 2006	Cut 2.3% of electrical power consumption rate from that of 2006	B	6
	Reduction of leak of air	Cut 10% of Air leak rate of Factory main pipe lines	Reduce 8.2% of Air leak rate	C	
	Design & remodeling of designated in-house machine to energy saving model <ul style="list-style-type: none"> • Use energy saving parts 	100% usage of energy saving model at the time of new model planning	100% study of energy saving model usage possibilities at the time of new or re-modeling planning	B	
	Establish a System <ul style="list-style-type: none"> • Set management criteria • Set up electric power monitoring system 	Implementation / management of management criteria Installation and launching of monitoring system	Launch Management Criteria Installation of electric power monitoring system completed	C	
Waste Reduction	Promote waste plastic recycling <ul style="list-style-type: none"> • Change disposal method of waste plastics • Reduce wrong disposal 	waste plastic recycling rate: Over 60%	Waste plastic recycling rate: 59.5%	C	6
Green Procurement	Establish Green Procurement System <ul style="list-style-type: none"> • Create Green Procurement criteria • Check toxic ingredient usage in machines 	Establish procurement system of non toxic substance	Reviewed a System Establishment plan	C	7
		Complete investigation of toxic ingredient usage in vending machines	97.1% of investigation completed Select alternatives for products which answer were not available	B	
Recycling	Collection & Recycling of Drill Cases <ul style="list-style-type: none"> • PR activities to promote collection from our customers • Research of issue, on collection and its solution 	50P Case: Domestic Collection Rate:90%	50P Case: Domestic Collection Rate: 99.5%	A	7
		200P Case: Domestic Collection Rate:73%	200P Case: Domestic Collection Rate:118.6%	A	
	Raise recycling rate of drill cases <ul style="list-style-type: none"> • Request to the customers to raise recycling rate • Raise case recycling capacity 	Recycling rate of Drill Case against domestic shipment amount 72% or more	Recycling rate of Drill Case against domestic shipment amount 89.3%	A	
	Establish collection system from overseas <ul style="list-style-type: none"> • Investigate Recycling at overseas production site or sales offices 	Collection of DC 50P case from Korea: More than 120,000 pcs	Collection of DC 50P case from Korea: 139,000 pcs	A	
		Promote collection of DC 50P Case from Southeast Asia	Conducted 2 times of collection and collected 68,000 pcs.	B	

A:Exceeds the Target B:Achieve the Target C:Not satisfactory D:Totally Failed

*For details, please see the reference page.

Efforts for Energy Saving

In 2007, based on the mid-term objectives to reduce 5% from the result of 2004 by the year 2008, we set an objective of cutting 1% of electricity use in the production unit from that of 2006 and conducted various energy saving activities.

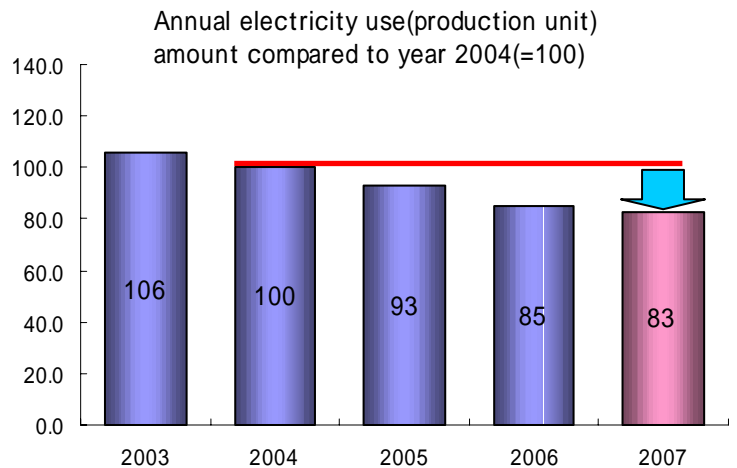
As a result, we were able to achieve 2.3% of electricity use in the production unit, compared to that of 2006. Comparing with 2004 figure, the base of mid-term objective, we could achieve 17% energy saving. On top of it, in 2007, we defined "Energy Management Criteria" to ensure energy maintenance and control. Based on this criteria, we have conducted daily energy saving activities at each department.

At the time of designing/planning of new energy saving machine, or remodeling, we take an advantage of the merit of in-house developed machine, such as taking energy consumption data and use it for increase efficiency.

In 2007, we have implemented electric energy measuring system with which we can monitor electric energy we use at each factory in real time. In 2008, we will start a higher level energy saving program by monitoring and analysis of electric energy consumption with this system.



Energy saving monitoring system display



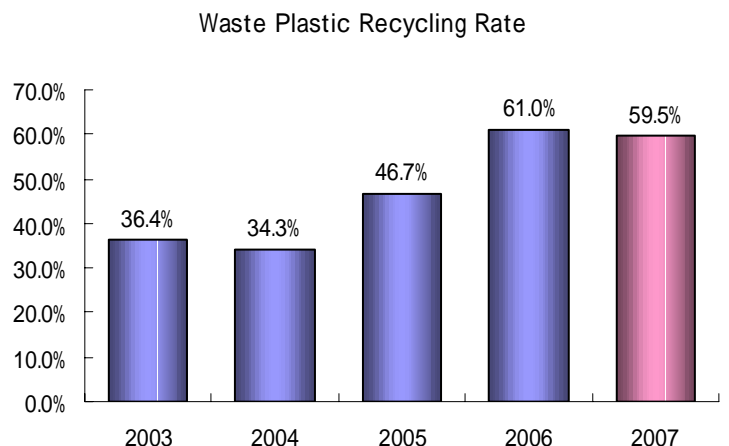
Reduction of Wastes

Same as the previous year, we have promoted recycling of wastes especially on waste plastics.

As we could exceed the mid-term recycling rate target, we raised the target up to 60% of recycling rate and have conducted various activities. As a result, the recycling rate was 59.5% which could not reach the target of 60%. However, we could ensure the higher level waste management comparing from the previous year, such as, reviewing sub materials, using same work gloves in each section, improvement of processing method(trying to bring similar wastes together), setting clear garbage box in the common space, raise employee awareness through repetitive education on wastes, etc.



Seminar



Green Procurement

Since 2006, we have been conducting various activities based on "Green Procurement Guideline."

To further establishing the eco-friendly product and service with high quality, we promote this activity, by exchanging information with our suppliers, to meet with our customer needs as well as to comply with laws and regulation.

We will continue to ask further cooperation from our suppliers for investigations relating ecological activities, so that all of us could contribute to decrease environmental burden and carry out our corporate social responsibility.



Survey Sheets

Collection of Drill Cases

We actively collect used drill cases as a producer as we believe it highly effective to reduce environmental burden and to create recycling society.

In 2007, we have set clear objective for drill case collection within/outside of Japan. And we have conducted collection activities by communicating with our customers through our sales offices.

As a result of PR activities or cooperation requests on collection, DC50 drill case collection from Korean market since 2004 have achieved 139 thousand pieces exceeding the target of 120 thousand. In other overseas subsidiaries, we have conducted a survey on recycling, and have started collection from Taiwan Union Tool since September 2007. The collected cases from Korea or Taiwan were sent to Japan for processing by periodic container transportation. To minimize environmental burden at the time of shipment, we use ship transportation to Nigata harbor. With the start of collection from overseas, we have increasing number of collected cases stickers to remove or other processing with the help from local welfare insititutions.

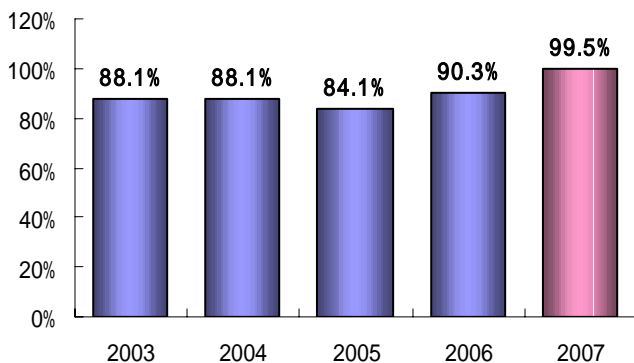
To increase the recycling rate of collected drill cases, we would like to suggest a management method such as abolishment of very sticky seal labels used at the specific customer's place for prevention of mixed up or distinction.

In Japan, we could achieve the target, +9.2% collection rate of 50P drill cases, and +54.4% collection rate of 200P drill cases, against the previous year. We could also achieve a big increase in recycling rate, 89.3% of total cases, thanks to our customers' understanding and cooperation to its management.

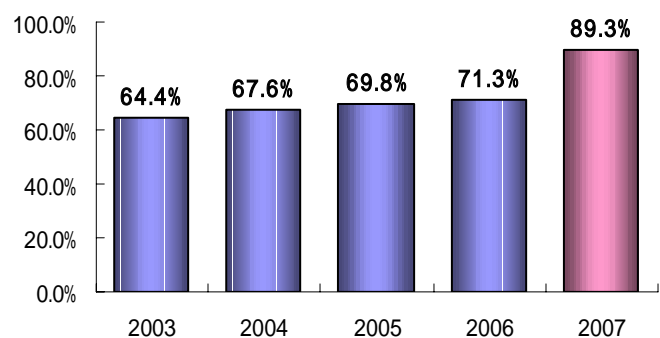
As we could expect the stabilized recycling rate within the cases of domestic shipment, we will continue daily monitoring, while putting more focus on the increase of collection rate in general, as well as the increase of collection rate of DC case from Korea. We would also continue our effort on providing support on case recycling at overseas subsidiaries.

We would like to ask your continuous support on our challenges toward improvement of collection/recycling rates through close communication with customers.

50P Drill Case Domestic Collection Rate



Drill Case Collection Rate against Domestic Shipment



CSR Activities in the Neighborhood

Ikuyo Nakamichi Piano Recital

Since 2002, our company has organized mainly piano recital in cooperation with “Nagaoka-City Foundation for Promoting Art & Culture” to support promotion of artistic/cultural activities in the local area (corporate philanthropy). We hope to return a favor to our neighbors who supported us by inviting Ikuyo Nakamichi, one of leading Japanese pianist and holding “Union Tool Classic Program” periodically.

In 2007, we held 10th program at Nagaoka Lylic Hall, “Ikuyo NAKAMICHI 20th Anniversary Piano Recital” on September 5. It was a wonderful concert where the audience could enjoy beautiful piano sound with Beethoven Sonata or Chopin. Moreover, we held philharmonic Orchestra concert conducted by Paavo Järvi (piano by Ikuyo Nakamichi) in July, and 20th Piano Recital in November in Tokyo,

We are planning to organize “Ikuyo Nakamichi Piano Recital – road toward Chopin” on, October 3 (Friday), 2008.

Nagaoka Lylic Hall Website: <http://www.nagaoka-caf.or.jp/>

Ikuyo NAKAMICHI Official Website: <http://www.ikuyo-nakamichi.com/>



Recital Poster

Clean Campaign

As we hold every year, we conducted clean campaign, where we pick up trash and weeds, and sow flower seeds, organized by employee circle twice in May and September, 2007. About 100 employees and their family got together at Nagaoka Factory, and 30 at Mitsuke Factory.

Although it was the first campaign for Mitsuke Factory, many people participated and picked up trash in the parks around the area or under the elevated bridge. We enjoyed good weather on either days and could make this event as refreshing experience.

After couple of days, there were colorful flowers blooming around the factory and gave sense of happiness to neighbors as well as employees.

We will continue to contribute to the community area environment protection through cleaning activities around the factory area.



Nagaoka Factory Area



Mitsuke Factory Area

Illumination

Every winter, we put illuminations at Nagaoka Factory.

Our employees create a design and decorate using about 30,000 LEDs. It has now become an annual event which is very popular among people in the community.

Although it is still small, we have started to put illuminations at Mitsuke Factory as well. We hope it would contribute to the activation of Chubu Industrial Park.



Illumination

Topics : Obtained ISO 14001 at Mitsuke Factory

Mitsuke Factory, operated as an end mill factory, obtained ISO 14001(JQA: EM – 0765) in August 2008 as an affiliated factory of Nagaoka Factory .

Like Nagaoka factory, we will save energy with “Energy Management Guideline” based operation or effective usage of data from electric power monitoring system. At the same time, we would like to provide eco-friendly products by promotion of waste reduction as well as pursuit of higher precision, higher quality and longer life cycle products

Address : 3-1 Shinkocho Mitsuke, Niigata

T E L : 0258-66-0800

F A X : 0258-66-0801

Production Item : Carbide End Mills



Mitsuke Factory

Future Efforts

In 2008, we would like to focus on resource saving targeting commercial production of new coating endmil. This year again, we will continue, as Type 1 Designated Energy Management Factory, to promote energy saving with compliance against new energy-saving law , establishment of the system to ensure our products free from toxic ingredients, improvement of drill case recycling rate including overseas subsidiary.

2008 Environment Purpose, Objective

	Item	Objective	2007 Target
1	Energy Saving	Cut 5% of electricity use in the production unit from that of 2004 year by 2009	Cut 1% of electricity use in the production unit from that of 2006
		Reduction of leaking air	Cut air leaking of factory main line by 10%
		Electric power saving of in-house machine	Made five propositions for electric power saving of existing machine energy saving
		Operation as Type 1 Designated Energy Management Factory	Implement management criteria Start the operation of electricity monitoring system
2	Green Procurement	Establish green procurement system by 2008	Establish a system for purchasing products free from toxic ingredients
			Application of green purchase system for machine, Roller table, in-house machine
3	Recycling	By the end of 2008, achieve the domestic collection rate of drill cases 50P Case 90% 200P Case 76%	50P Drill Case domestic collection rate 90%
			200P Drill Case domestic collection rate 76%
		Improve overseas collection rate of drill cases	DC50p case collection rate in Korea 42%
		Expand case recycling at overseas subsidiary	Support case recycling activity at Taiwan UT and Waigaoqiao UT
4	Resource Saving	Develop new coating	Mass production of new coating end mill

*Production Unit Electric Consumption (kwh/thousand) ="Electric Consumption (kwh) "÷"# of production of cutting tools (thousand)

Environmental Accounting

47th Environmental Accounting Result

- Scope : Union Tool Co., Ltd. Nagaoka Factory
- Period : 2007 fiscal year (Dec 2006 to Nov. 2007)

Environment Prevention Cost

(million yen)

Category	Investment	Cost	Major Activities & Effects
Cost within Business area			
Prevention of Pollution Cost	14.0	1.3	Prevention of Water Pollution, connect sewage system
Protection of Global Environment Cost	0.0	0.1	Energy Saving Activities(Cut Electricity Consumption)
Resource Recycling Cost	0.0	15.0	Recycling Processing, Waste Processing, Waste Reduction Programs
Early/Final Process Cost	0.0	90.3	Collection/Recycling of Drills and Drill Cases
Control Activity Cost	1.8	4.1	Monitor Environmental Burden, ISO14001 operation
TOTAL	15.8	111.7	
	73.5		

*1: Amount of Investment is fully depreciated within the investment year because of its difficulties in calculating period for investment effect to become visible.

Economic Effect of Environment Prevention Activities ~ substantial effect ~

(million yen)

Item	Amount	Effect
Profit	17.7	Sales Profit of Assets Produced by Recycling
Cost Saving	38.6	Reduction of amount of use of electricity, tap water. Reduction of wastes, reduction of Buying Cost of New Case by Case Recycling, etc.
TOTAL	56.3	

Contact



Nagaoka Factory



4-15-8 Minami Ohi, Shinagawa Tokyo, 140-0013

TEL : 03 (5493)1001

FAX : 03 (5493)1002

URL : <http://www.uniontool.co.jp>

For any questions regarding this report, please contact:

Union Tool Co. Nagaoka Factory General Affairs Dept.:

Attn.: Yoneyama

2706-6 Aza-sotokawa, Settaya-machi NagaokaCity,

Nagaoka, Niigata 940-1104

TEL 0258(22)2620

FAX 0258(22)0045

E-Mail: yoneyamao@uniontool.co.jp

Issue Date April 2008

Next Issue April 2009

This report is mainly based on data of year 2007(December 2006 ~ November 2007)
Data of "Energy Saving," "Resource Saving" and "Wastes" only covers that of Nagaoka Factory.
Part of this report contains information after December 2007.