##### Section 0.0

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###### SQM-01

###### Supplier Quality Manual

# Nitto, Inc. Chesapeake Plant

**809 Principal Court**

**Chesapeake, VA 23320**

**Nitto, Inc. Lexington Plant**

**2032 Mercer Rd,**

**140 Trade St.**

**2284 Danforth Drive, STE 600**

**Lexington, KY 40511**

**Nitto, Inc. Piqua Plant**

**1620 S. Main St.**

**Piqua, Ohio 45356**

**Nitto, Inc. Jasper Plant**

**3611 Industrial Pkwy**

**Jasper, AL 35501**

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#####  Section 1.0

**Amendment Record**

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| --- | --- | --- | --- |
| **Section** | **Date** | **Description** | **Approval** |
| All | 3/15/17 | New Release | J. Mariado, D. Fox, D. Dragoo, M. Beckner  |
| All | 8/18/17 | Revised ISO/TS to ISO & IATF | J. Mariado |
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The revision pages will keep a record of all revisions to this manual. Any revisions and effective dates of the revisions will be documented.

Nitto, Inc.will make available the most current revision of our Supplier Quality Manual. Nitto, Inc. Suppliers are encouraged to review the Supplier Quality Manual Information on a regular basis to ensure that all information is current. Nitto, Inc. may make changes to this manual without notice.

##### Section 2.0

**Partnership Guidelines**

**2.0. PARTNERSHIP GUIDELINES**

**2.1 GENERAL**

This manual is intended to help our suppliers understand the requirements and expectations of Nitto, Inc.

Our Customers evaluate Nitto, Inc. products on a regular basis. Quality products are critical to our company’s continued successes and as such, our future depends upon maintaining the highest quality automotive products available. Within this manual, are outlined the necessary standards and expectations that will enable our company to meet our Customers quality requirements and expectations.

**2.2 QUALITY IMPROVEMENT**

We define quality improvement as the measure of consistency and continual improvement to reduce levels of deviation from the standard. There must be a strong continuous quality improvement system in place to support these activities.

Several areas of concentration in pursuit of continual improvement are as follows:

* Cross Functional Teams that Involve Everyone
* Constantly Re-evaluate processes, methods, and controls
* Mastering the Art of Relationships between Various Diverse Groups
* Concentrating on Those Things You Do Best
* Demonstrate Leadership by Doing Something Extra.
* Learn From those who are the Market Leaders

Nitto, Inc. expectation is that its suppliers will pursue this philosophy of continual improvement.

##### Section 3.0

**Elements of Supplier Quality**

This section defines the minimum standards required for our suppliers to achieve acceptable quality levels. It is Nitto, Inc.’s expectation that each Supplier will meet or exceed our product requirements.

**3.1 Product Quality**

The supplier will comply with all specifications as mutually agreed upon. Suppliers should strive not only to meet the standard or specification but also work to reduce variation (increase Cpk). If required by Nitto, Inc. our expectation is that each supplier maintains a minimum of 1.33 cpk for each part supplied. Suppliers are encouraged to consult with the Quality Department over issues where minimum standards for quality cannot be consistently maintained.

Product(s) supplied to Nitto, Inc. must meet material product specification(s) that make supplemental inspection of the product(s) after receipt by Nitto, Inc. not required. All products or material must be assured to 100% compliance to the specification(s).

**3.2 Product Quality Assurance and Liability**

Nitto, Inc. suppliers are held responsible for any liabilities or costs that result from quality and/or delivery deviations of the supplier's product as supplied to Nitto, Inc. This includes, but is not limited to, warranty claims, sort activity, re-inspection costs, product replacement and/or recall costs and supplemental testing/technical analysis/failure investigation as a result of a supplier-caused issue.

In the event of any quality or delivery failure, full technical and process investigation is required to accurately and completely identify root cause(s) and implement permanent corrective actions. Nitto, Inc. Customers require these post-failure actions (including interim containment measures) to be executed rapidly (typically, a minimum of effective containment is within 24 hours and root cause analysis within 10 business days). The product supplier is responsible for completing these actions.

**3.3 Defect Replacement**

In the event of a confirmed quality defect, the supplier is responsible to deliver replacement product immediately after notification and verification of a defect. This includes replacements for actual defective product(s) or material as well as temporary replacements for any product(s) placed in our quarantine areas as a containment measure.

**3.4 Customer Orientation**

The Supplier will provide on-site support, either at Nitto, Inc. or at any Nitto, Inc. customer, if requested, immediately after notification of any incident with the potential to impact our customer.

**3.5 Management Commitment to Quality**

The Supplier will actively participate in all agreed to programs which will enhance the skills and capability of both the Supplier and Nitto, Inc.

The Supplier will cooperate with Nitto, Inc. with regard to information which is relevant to the evaluation of products supplied to Nitto, Inc. This will include dimensional and other data studies, and specific SPC data as necessary.

**3.6 New Launch**

During the launch of a new part(s) or engineering change, the supplier shall develop a manufacturing plan to facilitate a seamless transition of parts into the supply stream. This plan must show evidence (data) that the process is in conformance and meets customer quality expectations and has sufficient controls in place to protect Nitto, Inc. from any quality issues. Process changes require prior notification to Nitto, Inc. before any changes. Tagging properly of new parts and change parts should also be addressed.

##### Section 4.0

**Supplier Quality System Evaluation**

**4.1 INTRODUCTION**

Nitto, Inc. is committed to manufacturing philosophiesof product quality control and continual improvement. As part of our ongoing commitment to our customers, we are requesting that our suppliers maintain a Quality System that will ensure that we receive the highest quality materials, products and services. To that end, Nitto, Inc. requires that at minimum a supplier is registered ISO 9001:2015 with conformity to the IATF16949:2016 standard. This requirement may be waived under special circumstances from Senior Nitto, Inc. Management.

Supplier’s registered to ISO 9001:2015 or IATF16949:2016 are expected to adhere to the requirements of that standard. The supplier must supply Nitto, Inc. with a copy of their registration certificate(s), upon request and notify Nitto, Inc. of any changes in their certification status.

The supplier may be required to complete and submit a Self-Assessment audit. Nitto, Inc. will provide the Self-Assessment form if deemed applicable.

It is a Nitto, Inc. requirement that our automotive component suppliers:

* Establish, document, and maintain a quality system as a means of ensuring that products conform to specified requirements based on ISO/IATF standards.
* Comply with or be working toward an Environmental Management System as a means of ensuring that Nitto, Inc. and supplier processes continue to have a positive impact on the environment.
* Shall establish, document, and maintain a system that monitors the delivery process including accuracy of packaging, labeling, count, ASN’s, and transportation.

To this end, each supplier may be audited on the systems described above. If actual performance in any area changes considerably, Nitto, Inc. may decide to perform a special audit on pertinent processes and systems. Our auditors will evaluate these systems based on IATF16949:2016 guidelines.

##### Section 5.0

**Audit Procedure**

**5.1 Preparation**

Nitto, Inc. will contact the supplier to set up a date and scope for the audit. Time will be allowed for the supplier to make preparations for the audit. As part of the preparation for the audit, the supplier will be expected to complete and return pre-audit assessment documentation. Suppliers having no quality system certification may be audited using the complete ISO 9001:2015 standard and all related documentation as a guideline. In all cases, when preparing for an audit the ISO 9001:2015 standard is used as a reference.

**5.2 Audit Agenda**

Prior to the audit Nitto, Inc. will provide an agenda listing the scope of the audit and a proposed schedule. The intent is to provide the supplier with a guideline for planning and allocation of the proper resources to support the audit process. The agenda will list the specific areas of the supplier’s management system to be audited within a specific timeframe. Specific documents required for review during the audit may include but not be limited to:

* An Organizational Chart
* Failure Modes and Effects Analysis examples
* Control Plans or an equivalent document
* Quality Manual
* Policy / Procedure Manual
* Surveys/audits performed on sub-contractors
* Gauge calibration records
* Gauge capability studies
* Process capability studies
* SPC records
* Employee training plans and records
* Corrective actions/Countermeasures reports (both internal and Customer driven)
* Environmental Management System Manual and Procedures
* Cost Improvement and Delivery System Documentation

Plant tours will be utilized to verify the application of policies, procedures, work instructions and records, to evaluate the effectiveness of the system. This tour may include, but not be limited to, the following areas:

* Contract Review Function
* Design Control \*
* Document and Data Control
* Purchasing Function
* Product Identification and Traceability (storage areas, incoming, in-process, and final)
* Process Control
* Inspection, Testing, or Laboratory Gauging/Calibration Systems
* Defective Product Hold/Quarantine Areas
* Packaging and Storage Areas
* SPC Systems
* Servicing \*

\* If applicable to the Supplier

**5.3 Remarks**

At the conclusion of the evaluation, the auditor(s) will discuss their findings, including strong points, weak points, nonconformities, and potential areas for improvement. A completed report will be supplied to the Supplier’scontact person within three weeks of the survey date.

If the supplier receives results that exceed 4 or more minor nonconformities and/or 1 or more major nonconformities, the supplier will be required to submit a corrective action plan within one month of the audit. Nitto, Inc. will evaluate the submitted corrective action plan to determine its acceptability. If the plan is acceptable, Nitto, Inc. will confirm the corrective action implementation by scheduling a follow up visit or requesting proof of implementation. If the plan is unacceptable it will be returned to the supplier. The supplier will be expected to reconsider the corrective action and supply a new plan to Nitto, Inc.

Nitto, Inc. will take into consideration a suppliers willingness to work toward IATF 16949 and ISO 14001:2015 compliance when making comparisons between suppliers of the same product. It is our hope that we can work with our suppliers to achieve continual improvements.

##### Section 6.0

**Supplier Rating System**

**6.1 Supplier Rating System**

Performance monitoring is critical to maintaining a solid business relationship and ensuring optimum efficiency. The Nitto, Inc. Supplier Rating System provides a process to measure supplier performance in all critical areas. This process is designed to improve incoming quality, maintain uninterrupted supply, and improve communications within the Supply Chain. This system is comprised of regular feedback to suppliers. Methods of communication may be in the form of Scorecards, e-mail feedback and or other communication designed to improve communications or products and services. Questions concerning the Supplier Rating System, or a particular rating, should be communicated to the Quality Department Representative or a member of Senior Management who represent Nitto, Inc.

**6.2 Ratings**

Supplier Risk Assessment

Nitto, Inc. will use a risk assessment procedure to determine a supplier’s qualifications for receiving new business and aid in determining what product/material will be included in the receiving inspection program. Additionally, suppliers will be rated on their performance in several categories:

The four performance areas that impact ratings are as follows:

- Quality (50 percent weighting)

- Delivery (40 percent weighting)

- IATF16949:2016 (5 percent weighting)

- ISO 14001 (5 percent weighting)

For suppliers the overall score is based on:

1. The number of occurrences’ per month
2. The number of Corrective Action Requests
3. The response time to claims
4. Delivery performance ±1 day for domestic, ±10 days for overseas
5. Any issue that creates downtime, quality issues at any Nitto, Inc. Customer or facility. Special Status Customer Notifications, OEM or warranty claims.
6. Premium freight for which the supplier is directly responsible for will be tracked and considered an occurrence.

Corrective actions and/or supplier audits may be initiated as a result of supplier performance ratings based on the following criteria: Severity, occurrence and the overall effect on Nitto, Inc’s ability to meet customer requirements.

##### Section 7.0

**Supplier Problem Resolution**

**7.1 INTRODUCTION**

When a product defect issue is found at Nitto, Inc., or a customer plant or facility, the supplier supplying that part or raw material will provide reasonable support to Nitto, Inc. when requested until the issue is resolved. This includes, but is not limited to: On-site defect review, engineering support, testing data, and or laboratory support.

**7.2 DEVIATION FOR NON-CONFORMING MATERIAL**

In certain instances, material not conforming to standards or specifications may be used if agreed upon by Nitto, Inc.

Any supplier that has product/material that does not meet required specifications can submit a Request for Deviation form (available upon request). All submitted requests will be evaluated (this may include a review by Nitto, Inc.’s customer) to see if a deviation can be granted and the Request for Deviation form will be returned with a documented response. If a deviation is granted, then the supplier will be responsible for maintaining a record of the deviation expiration date and the quantity approved by the deviation. The supplier will be responsible for product/material compliance to original standards once the deviation expires. Suppliers shall also submit a countermeasure for root cause of non-conformance. Requests for deviations must be submitted to Nitto, Inc.’s Quality Department for review. Request for Deviation must be approved by Nitto, Inc.’s Quality Department prior to shipment of any non-conforming material.

The Supplier is responsible for segregating the non-conforming products until a deviation is granted, and must abide by the conditions specifically stated in the deviation. In the event that support cannot be obtained from the supplier, and/or Nitto, Inc. does not have the resources for an internal sort, Nitto, Inc. may retain the services of a third party sorting service to segregate parts. Sorting cost will be billed to the Supplier at prevailing rates.

Material(s) having deviation and shipping papers must be positively identified as such prior to shipment from the Supplier's facility to any Nitto, Inc. plant or warehouse.

**7.2 DEVIATION FOR NON-CONFORMING MATERIAL CONTINUED**

If a Supplier discovers that non-conforming material has been inadvertently shipped without deviation authority, contact Nitto, Inc. immediately by telephone, followed by e-mail notification to: Quality Department. The supplier may use any format that will communicate all relevant information concerning the non-conforming material. Nitto, Inc. Quality, Purchasing, and Production Departments will either approve or disapprove the non-conformance and the results will be conveyed to the Supplier.

**7.3 PROBLEM REPORTING AND RESOLUTION**

The following procedure describes the method for reporting and resolving problems.

# 7.4 Notification of Quality Concerns

**Nitto, Inc.:**

Supply the following information to the supplier within 48 hours of identifying the problem:

Fill out Corrective Action Report/Corrective Action which addresses the following items:

* Name of contact person, telephone number and e-mail address.
* Part Number, Product description, and Lot Numbers.
* Scope of the problem and whether replacement is needed.
* What assistance is required.
* Send samples if possible

Include as much detail as is available. Record the information on the Corrective Action log.

Internal and External Claim Notification and Escalation Based on Risk

Risk Definitions:

Risk to Customer Ranking:

• Moderate: 3rd Party Sorting (could escalate to severe depending on scope)

• Moderate: Missed Shipment (could escalate to severe depending on scope)

• Moderate: Expedite Shipments (could escalate to severe depending on scope)

• Moderate: Repeat Concern

• Moderate: Internal Sorting

• Severe: Customer Line Down

• Severe: Placed on Special Status

• Severe: No Good Parts Received by OEM

Based on the potential risk the notification criteria are as follows:

Minor: Quality Engineer/Technician

Moderate: Quality Engineer/Technician AND Quality Manager

Severe: Quality Engineer/Technician, Quality Manager, AND Top Management

**Supplier:**

It is the supplier’s responsibility to protect Nitto, Inc. from receiving any non-conforming material. If non-conforming material is identified at Nitto, Inc., at any inspection point in the process, the material shall be restricted and a suspect material tag will be placed on all containers. The non-conforming product/material will be moved to a Quarantine area until a disposition can be obtained. In such cases, the Nitto, Inc. Quality Manager or designee should:

1. Request supplier to sort parts at the Nitto, Inc. facilities. Sort results (actual defective) will be used to calculate the supplier’s PPM, unless otherwise approved by the Nitto, Inc. Quality Manager.

2. In some cases, the Nitto, Inc. Quality Manager or designee may have parts returned to a supplier’s plant to be sorted at the supplier’s facility. Note: This will only occur if by shipping the product/material back to the supplier there is no danger of Nitto, Inc. affecting its shipping requirements to its customers. This is up to Nitto, Inc.’s discretion. Parts that were returned to the supplier’s facility will not be used in calculating the supplier’s PPM, if all parts are returned to Nitto, Inc. in a timely manner and are certified. Also, all incurred cost of shipping will be paid by the supplier.

3. At the supplier’s request, or if shipping issues demand, Nitto, Inc. will sort non-conforming product at the Nitto, Inc. facilities. This is up to Nitto, Inc.’s discretion. The Nitto, Inc. hourly rate for sorting is $30.00 per hour, with a minimum of one hour charged. Sort results (actual defective) will be used to calculate suppliers PPM. Nitto, Inc. will also charge back any charges accrued while sorting supplied parts at the customer. This may include, but is not limited to; associate time, gas charges, hotel charges, rent-a-car expenses, and any charges that the customer and/or their sort company bills Nitto, Inc. Also, if any special tools/materials are needed to complete a sort activity, the supplier will be charged back for these items.

4. Third party shipping shall be paid 100% by the supplier.

5. Nitto, Inc. will allow suppliers to hire a 3rd party service or send their own company representatives (must be a full-time associate, no temporaries) to perform sorting and rework on non-conforming material at Nitto, Inc.’s facilities, when applicable. The supplier shall be responsible for all of the actions performed by the 3rd party service or their company representatives. Suppliers’ will handle all arrangements, including, but not limited to: payment, insurance, training, behavior, tools and work schedule (Must be within Nitto, Inc.’s regularly scheduled work hours, Nitto, Inc. will not be responsible for supplying any tools/PPE/etc.

6. An administrative fee of up to $150 may be applied based on the scope of the incident. This is at the discretion of Nitto, Inc.’s quality management.

All product/material that is sorted at Nitto, Inc.’s facilities will have the following recorded: the total number sorted, sort results (actual defective) and the amount of sorting time. Nitto, Inc. will provide samples of defects as necessary, but all defects will not be return to the supplier. The supplier will be sent a Chargeback form (available upon request). Any charges that the supplier feels is incorrect will be available for discussion. The supplier has 7 days to contact Nitto, Inc. Quality to dispute these charges. If no contact is made, charges will stand and be deduct from the supplier’s next payment by Nitto, Inc.’s Accounting department.

Disposition of non-conforming material will be performed with one of the following options:

1. Return non-conforming material to the supplier.

2. Scrap the non-conforming material-supplier’s facility. ( if the supplier arranges by third party)

3. Scrap the non-conforming material-Nitto, Inc. facility. (at the supplier’s expense)

4. Sorting/Rework performed by supplier or third party service.

5. Sorting/Rework performed by Nitto, Inc. associate.

6. Use “Request for Deviation” form (available upon request).

**7.5 Corrective Action**

Upon Notification; complete Nitto, Inc.’s CountermeasureReport as completely as possible and return to: Nitto, Inc.’s Quality Department. It is the supplier’s responsibility to report any lack of understanding to the Nitto, Inc.’s Quality Department immediately upon receipt of the Corrective Action Report. If no request for more information is made, then Nitto, Inc. will believe the problem is understood and a countermeasure will be delivered at the specified time.

Initial response is due within 24 hours

Final Corrective Action is due within 10 business days

If more than 10 business days are needed, the Supplier may make a written request for an extension stating the reason for the request. An additional 5 business days may be extended. In the event that additional time may be needed, another extension may be granted with an explanation of the need for additional time. Nitto, Inc. will evaluate the request and approve or disapprove the request.

Nitto, Inc.

If a long term corrective action is not required, and the verification of the short-term countermeasures is acceptable, then Nitto, Inc. signs the Corrective Action Report and closes out the Corrective Action in the Corrective Action Log and transmits a copy to the Supplier.

##### Section 8.0

**Supplier Change Notification & Approval Process**

**8.1 INTRODUCTION**

Significant changes to the supplier's product, process, or packaging must be communicated to and approved by Nitto, Inc. This policy protects and strengthens the partnership between Nitto, Inc. and its suppliers. Significant changes may appear, on the surface, to have no effect on the product, but may affect Nitto, Inc. or it’s customers. Changes to any of the following must be communicated to and approved by Nitto, Inc. in advance of the change:

* Plant Location
* Production Process
* Production Conditions (major)
* Raw Materials Manufacturer
* Packaging
* Labeling

For some changes, the product may need to go through the PPAP procedure, if requested by Nitto, Inc. All 4M changes must be communicated to Nitto, Inc.’s quality department who will make the determination of other departments required to be involved.

Once approval has been granted by Nitto, Inc. to make the requested change(s) to any of these conditions, the first production shipment of material after the change has been made shall be marked with an Identification label clearly indicating that the shipment is the first produced under the altered conditions.

**8.2 PLANT LOCATION**

Any supplier location change for Nitto, Inc. product (temporary or permanent) must be approved by Nitto, Inc. prior to the change.

**8.3 PRODUCTION PROCESS**

The supplier will notify Nitto, Inc. of any change(s) to the supplier's production equipment that would materially impact Nitto, Inc.’s operations.

**8.4 PRODUCTION CONDITIONS**

The Supplier will notify Nitto, Inc. of any significant change to the production conditions that would affect the product quality or function of Nitto, Inc. process or operations.

**8.5 RAW MATERIALS MANUFACTURER**

The Supplier will notify Nitto, Inc. of any changes to the process, material composition, packaging (different pallets, piece counts) or vendor changes that might affect our process.

**8.6 LABELING**

The supplier will notify Nitto, Inc.’s Purchasing and Quality Departments of all changes related to product labeling that would have an impact on Nitto, Inc.’s processes.

##### Section 9.0

**Product Certification Reports**

**9.1 INTRODUCTION**

Product Certification Reports will be required from raw materials and component suppliers with **every shipment**. **All Material Certificates must contain actual test data, Certificates of Compliance without test data are not permitted.**

When requested, a Certificate of Analysis and/or SPC data must be supplied. Nitto, Inc. expects its suppliers to implement and use statistical tools (such as SPC, capability studies, etc.) in their processes to monitor and control the quality of their part during production.

**9.2 PROCEDURE**

Supplier product and test data for important characteristics will be specified by Nitto, Inc. in the negotiated specifications (or by other means) and is to be mailed or electronically transmitted periodically to Nitto, Inc. Quality Department. This data is preferred in graphical form for easy interpretation. Usually, a histogram, trend chart, and Cpk trend chart or other format is requested for each critical characteristic. A listing of the product produced during that time period may either be requested or required for review.

##### Section 10.0

**Supplier Approval**

**10.1 INTRODUCTION**

Before a potential supplier can be approved, the supplier will be requested to provide general information about the potential Supplier’s business. Information about his/her quality system, environmental management system, a self-assessment and other required documentation must be completed and returned. If the potential supplier becomes unwilling or unable to continue the quality of product or service, that supplier may lose the “Approved Supplier” status. Nitto, Inc. reserves the right to perform an on-site audit of a suppliers’ Quality System, at any time, or as frequently as deemed necessary by the Nitto Quality Manager, an authorized Nitto, Inc. representative, or our customers to verify the effectiveness and that the procedures are being completed in conformance with the documented Quality System.

**10.2 QUALITY SYSTEM VERIFICATION**

Nitto, Inc. will assess the potential supplier on the basis of the ability of their quality system to fulfill all the requirements of the ISO9001:2015 and IATF 16949:2016 standard. Definitions for Major and Minor non-conformities as they apply to the assessment process can be found in the IATF Rules for achieving IATF Recognition (Available from AIAG).

##### Section 11.0

**Production Part Approval Process**

**11.1 INTRODUCTION**

 As a supplier to the automotive industry, Nitto, Inc. is held to the IATF16949:2016 standard, and requires adherence to those same standards from its suppliers. Direct materials suppliers are required to submit representative production samples of the product being offered, as well as inspection and test reports. The purpose of these reports is to demonstrate that Nitto, Inc. material specifications and requirements are understood by the supplier, and that the supplier’s process is capable of meeting those requirements during an actual production run.

For specific information on Production Part Approval Process, please see the current edition of ***Production Part Approval Process (PPAP)***, available from AIAG.

The Production Part Approval Process (PPAP) applies to all production commodities (components and finished goods), and is required prior to the first shipment in the situations described in “When Submission is required.” This includes first parts shipped when a process or product change is made.

**Requirements for Production Part Approval**

The following documents and items must be completed/available by the Supplier for each applicable composition when any of the situations in “When Submission is Required” occur. Direction on which of these items must be provided to the customer is defined in Submission Levels.

* Production Part Submission Warrant (Form PSW)
* Limited product samples (quantities TBD by Nitto, Inc.), sent to Nitto, Inc.
* Master Samples are to be retained by the supplier when specified by Nitto, Inc. All applicable Specifications/Material Standards and any referenced documentation.
* Dimensional results referenced to the requirement in the appropriate Specification/Material Standard.
* Material test results as specified in appropriate material specification.
* IMDS / MSDS
* Process Flow Diagrams.
* Process FMEA’s.
* Control Plans which include all product and process-related Significant or Key characteristics. Unique Control Plans will be established for each product family, and each unique composition, where composition impacts originally submitted Control Plans.
* Process Capability results showing conformance to customer requirements for Key, Significant, Safety, Critical and Compliance-related characteristics, with supporting historical or trend data.

Measurement System variation (Gage R&R) studies for all equipment used for statistical studies for new or modified gages, measurement, and test equipment (Refer to AIAG Measurement Systems Analysis Manual).

***NOTE:*** *For submissions due to engineering changes at the Supplier, the inspection and testing requirements will be determined by the extent of the changes. In some instances the evaluation may be limited to the areas directly affected by the change.*

**11.2 SUBMISSION LEVELS**

Nitto, Inc. requires Level 3 submission for all new parts supplied unless otherwise stated. Annual Revalidation PPAP’s may be required based on the following:

• Supplier quality rating status

• Part criticality

• Experience with prior part submissions

The levels are:

Level 1 Warrant only, to be submitted to Nitto, Inc. \*\*

Level 2 Warrant with product samples and limited supporting data submitted to Nitto, Inc. \*\*

Level 3 Warrant with product samples and complete supporting data submitted to Nitto, Inc. \*\*

 (\*\* Customer Specific Documentation may be required in addition to PPAP Submission)

**11.3 PROCESS REQUIREMENTS**

Refer to ***Production Part Approval Process Manual*** available from AIAG

**11.4 PREPARING THE SAMPLES**

When samples are required, Nitto, Inc. suppliers will have the responsibility of performing on those samples the inspection and tests necessary to assure that the samples conform to standards and specifications. The supplier will forward all test results and necessary documentation to Nitto, Inc.’s Quality Department for review. The supplier may be requested to provide test samples for additional analysis or further review

Below is a list of sample requirements:

* Before shipment of parts, Nitto, Inc. will identify how many samples should be submitted.
* If requested by Nitto, Inc., each sample shall be marked with a unique number that corresponds to its test result number on theSuppliers Results Report.

Each characteristic submitted for approval must meet agreed specifications.

**11.5 RECORD & MASTER SAMPLE RETENTION**

The supplier will retain copies of all Production Part Approval Documentation identified in Section 11.2, including SPC results, regardless of the submission level requested. This record will show conformance to all dimensional, physical, performance, and other test specifications, and will be maintained for a period of time and in a manner that satisfies regulatory and Nitto, Inc.’s requirements.

**11.6 PART SUBMISSION STATUS**

Refer to ***Production Part Approval Process Manual***.

**11.7 REQUIREMENTS FOR Raw Materials**

**11.7.1 Scope**

The purpose of this section is to define the PPAP requirement as applicable to Raw Material Producers supplying Raw Material to Nitto, Inc.

**11.7.2 When Submission is Required**

* Following significant repairs/changes to the process which may impact product quality or process capability.
* Initial production for Nitto, Inc. of a unique material composition from an individual Supplier location.
* Production initiated after a particular process has been inactive for 12 months or longer.
* Following a customer request to suspend shipment due to a Supplier concern.

**11.7.3 Submission Levels**

Nitto, Inc. will identify the submission level that will be used with each supplier, or supplier and part number combination. The customer’s choice of levels for a supplier will be determined by such factors as:

* Supplier Compliance with ISO9001:2015 and IATF 16949:2016 requirements
* Supplier quality recognition status (e.g., Quality Excellence)
* Part criticality, experience with prior part submission
* Supplier expertise with specific commodity

The submission levels are:

Level 1 - Warrant only submitted to Nitto, Inc.

Level 2 - Warrant with limited product samples (type and quantity to be defined by Nitto, Inc. with data on “key” characteristics (with material and dimension data).

Level 3 - Warrant with limited product samples (type and quantity to be defined) sent with complete supporting data.

***LEVEL 3 is the default level, utilized for all submissions unless specifically advised otherwise by the responsible part approval activity***

**11.7.4 Process Requirements**

* Auxiliary Drawings and Sketches
* Part Specific Inspection or Test Device
* Customer-identified Special (Key) Characteristics - Dimensional and Material or As Specified
* Preliminary Process Capability Studies - An acceptable level of process capability must be determined prior to submission for all characteristics designated as key that can be evaluated using variables data.

**11.7.4 Process Requirements Continued**

 Process capability will be depicted by

* + Providing statistical summary data collected during the production run (Average, Max, Min, Std. Dev.) and
	+ Providing a process performance index Ppk where variation is estimated using the standard deviation of the sample set from normal product sampling measures.
	+ Appearance Approval Requirements where necessary.
	+ Dimensional Evaluation (Analysis of data to be generated with measurements performed per control plan, with sufficient data samples for estimation of process variation)
* Material Tests
* Analysis of data to be generated with measurements performed per control plan, with sufficient data samples for estimation of process variation. Include key characteristics per the Material Specification.

**11.7.5 Preparing the Samples**

It is the Supplier’s responsibility to perform the inspection and tests required on the limited product samples

* The standard Suppliers *Production Part Approval --Dimensional Results* or *Production Part Approval -- Material Test Results* Forms will be completed unless otherwise specified by Nitto, Inc. Before shipment of parts, Nitto, Inc. will identify the appropriate PPAP submission level. Samples should be supplied as defined for the appropriate level unless indicated by the Nitto, Inc. facility.
* When required, each sample will be marked with a unique number that corresponds to its test result number on the *Suppliers* *Dimension Results or Material Test Results* form.
* Samples must be tagged with relevant information provided. Each characteristic submitted for approval must meet agreed specifications.

**11.7.6 Record and Master Sample Retention**

The Supplier will retain copies of all production part approval documentation regardless of the submission level requested by Nitto, Inc. This record will show conformance to all dimensional, physical performance, and other test specifications, and will be maintained for a period of time and in a manner that satisfies regulatory and Nitto, Inc.’s requirements. The requirement for master samples may be waived upon Nitto, Inc. approval of the supplier’s alternative plan.

##### Section 12.0

**Part Submission Status**

**12.1 Part Submission Status**

Suppliers will be notified by Nitto, Inc. as to the disposition of the submission. After sample approval, suppliers are responsible for assuring that future production continues to meet all specification requirements.

* **Production Approval** indicates that the part meets all Nitto, Inc. specifications and requirements. The supplier is therefore authorized to ship the part for production use subject to releases from the Nitto, Inc. scheduling activity.
* **Interim Approval** permits shipment of material for production requirements on a limited time or piece quantity basis.

**12.2 Part Submission Status Continued**

* Interim Approval will only be granted when the supplier has:
* Clearly defined the root cause of the non-conformities preventing production approval, and
* Prepared an interim approval action plan agreed upon by Nitto, Inc. Re-submission to obtain “production approval” is required unless the supplier is advised that Nitto, Inc. has revised the drawings or specifications to agree with the part as manufactured.
* Material covered by an interim approval that fails to meet the agreed-upon action plan, either by the expiration date or the number of pieces or the authorized quantity, will be rejected. No additional shipments are authorized unless an extension of the action plan is granted.
* **Rejected** means that the submission, the production lot from which it was taken, and accompanying documentation do not meet Nitto, Inc. requirements. Corrected product and documentation must be submitted and approved before production quantities may be shipped.

**APPENDIX A**

**GLOSSARY**

AIAG Automotive Industry Action Group

CRITICAL CHARACTERISTICS Same as Key Characteristics: Those specified in the applicable to Nitto, Inc. specification requirements.

FMEA Failure Mode and Effects Analysis: See ***Potential Failure Mode and Effects Analysis Manual***, published by the Automotive Industry Action Group

KEY CHARACTERISTICS Those characteristics which are specified in the application to Nitto, Inc. specification requirements

PPAP Production Part Approval Process: The process by which new suppliers, new production processes, new locations, etc. are granted approval to ship product to Nitto, Inc. Reference: ***Production Part Approval Process (PPAP).*** Available from Automotive Industry Action Group (AIAG) by telephoning (810) 358-3003

QSA Quality System Assessment; See ***Quality System Assessment***, published by the Automotive Industry Action Group.

SPC Statistical Process Control; See ***Fundamental SPC Manual***, published by the Automotive Industry Action Group.

 Appendix B

Acknowledgement

Receipt of the Nitto, Inc. Quality Manual

My Company, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ located at

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, hereby acknowledges

receipt of the Nitto, Inc. Supplier Quality Manual. It is understood that this manual is the Nitto, Inc. Standard,

and is part of the terms for doing business with Nitto, Inc.

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Signature of Supplier Representative Date

Appendix C

Supplier Quality Agreement

This agreement establishes guidelines for a joint commitment to quality for Nitto, Inc. and its suppliers.

It is our goal that Nitto, Inc. only produces good quality products with competitive price and always delivers products on time to satisfy our customers. To achieve this goal, management of Nitto, Inc. has set up the quality policy as a commitment to:

* Supply products to a quality standard that fully satisfy our customer expectations.
* Comply with Quality System Requirements of IATF16949:2016 as a basic job standard that shall be employed consistently by all employees.
* Tighten communication among employees in all levels of the organization based on fairness and with an open mind to achieve continuous improvement.

To support this joint effort, you the supplier agree to the following:

1. All products and services provided by you to Nitto, Inc. will conform to contractual requirements.
2. No material/item substitution, process revision and/or deviation from specifications will occur without prior written approval by Nitto, Inc.
3. You will maintain documentation that supports your efforts in quality and will allow Nitto, Inc. representatives to conduct on-site audits of your facility as necessary.
4. You will notify Nitto, Inc. of any changes to approved processes 3 months prior to making the change and notify Nitto, Inc. of any changes in your manufacturing environment that may affect previously agreed upon contractual requirements.
5. You will reply promptly, per Supplier Manual timeline, to answer all Nitto, Inc. requests for corrective actions.
6. Deliveries shall be made on time per Nitto, Inc.’s required schedule.
7. Suppliers will maintain flexibility in their process to adjust delivery schedules to meet Nitto, Inc.’s requirement, per contractual requirements.
8. Competitive pricing will be maintained throughout the full term of the purchase order.

To support this joint effort Nitto, Inc. agrees to:

1. Provide the necessary documentation to provide a clear and common understanding of quality requirements.
2. A prompt response to any question you have while fulfilling contractual requirements to Nitto, Inc.
3. A procedure for resolving quality disputes as they may arise.
4. A detailed list of all actions and costs taken to resolve quality issues, as they may arise.

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NITTO Purchasing/Sales Representative Supplier Company Official

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NITTO Quality Representative Supplier Name