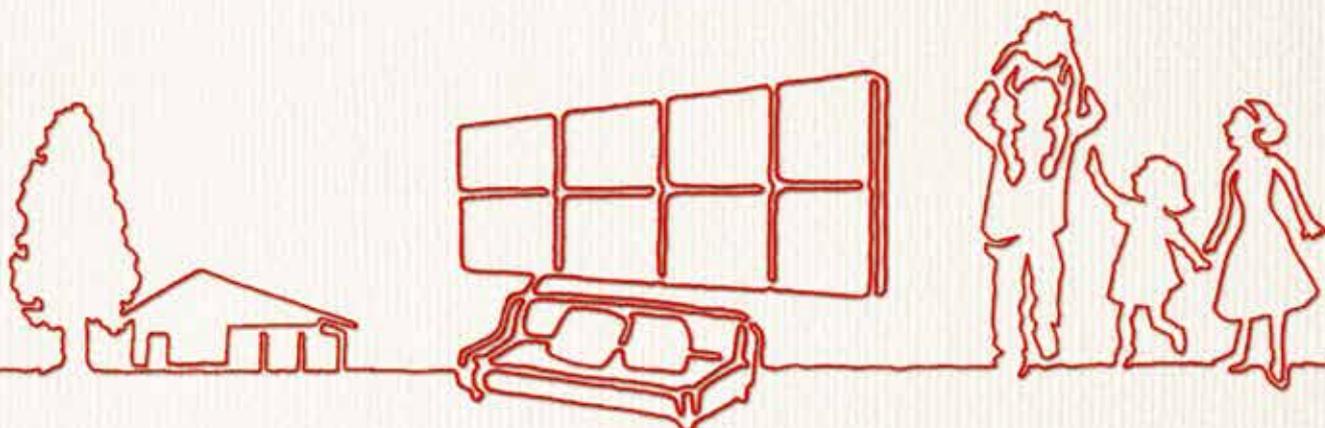
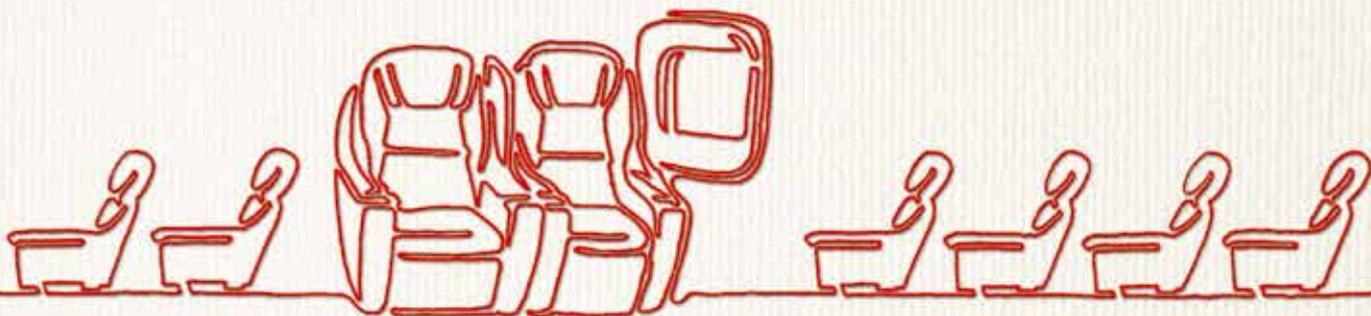


# TOYOTA BOSHOKU REPORT 2013

2012.4.1—2013.3.31

## TOYOTA BOSHOKU REPORT 2013



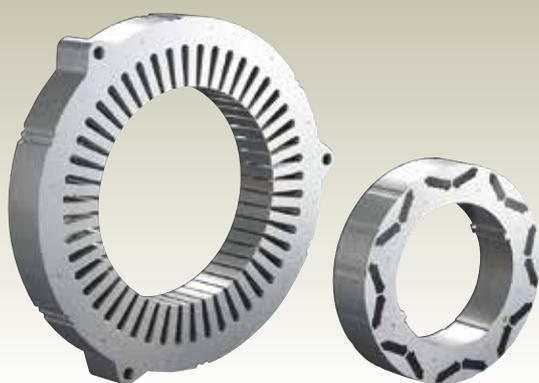
# QUANTUM LEAP

The Toyota Boshoku group is creating new technologies and products going beyond conventional frameworks in line with the phrase Quantum Leap.



## High-performance sports seat

In pursuit of the pinnacle of functional beauty



## Motor core constituent parts for hybrid systems

Realising our challenge of entering a new field of key engine parts



## "Nunokabe"

Bringing style and warmth to home spaces

# Global Network

The Toyota Boshoku group divides its bases into five regions of the world, specifically The Americas, Asia & Oceania, China, Europe & Africa and Japan. The operation of integrated production entities is carried out within each region, with the Regional Management & Collaboration Hubs serving as the core of operations.



## Corporate Profile

**Name** TOYOTA BOSHOKU CORPORATION

**Business operations**

1. Development of automotive interior systems; and manufacture and sale of automotive interior products
2. Manufacture and sale of automotive filters and powertrain components
3. Manufacture and sale of other automotive components
4. Production and sale of textile goods

**Representative**

Shuhei Toyoda, President

**Capital**

8.4 billion yen

**Founded**

1918

**Established**

1950

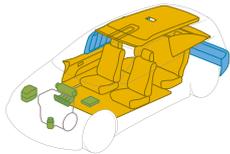
**Global Mainstay Hub**

1-1 Toyoda-cho, Kariya-shi, Aichi

## Main Products

### Interior Components

Supplying integrated and effectively coordinated systems of interior space with seats, door trims, headliners, floor carpets and other components, we aim to provide attractive, comfortable and safe interiors.



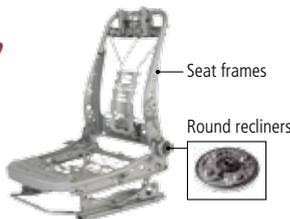
Headliners



Headliner illumination



Seats



Seat frames

Round recliners



Door trims



Floor carpets

### Filtration and Powertrain Components

Using a world-leading filtration technology, Toyota Boshoku produces air induction system products, lubricating system products for engines such as oil filters with replaceable elements, vehicle air conditioning filtration system products and other products.



Air filters



Air induction system products



Motor core constituent parts for hybrid systems



Cabin air filters



Oil filters

### Textiles and Exterior Components

Toyota Boshoku develops new materials in fabrics for airbags, seat fabrics, cabin headliner materials and other parts in the textile business while working to create environmentally friendly products. Also, in the exterior components business, we manufacture service bumpers, fender liners and engine undercovers.



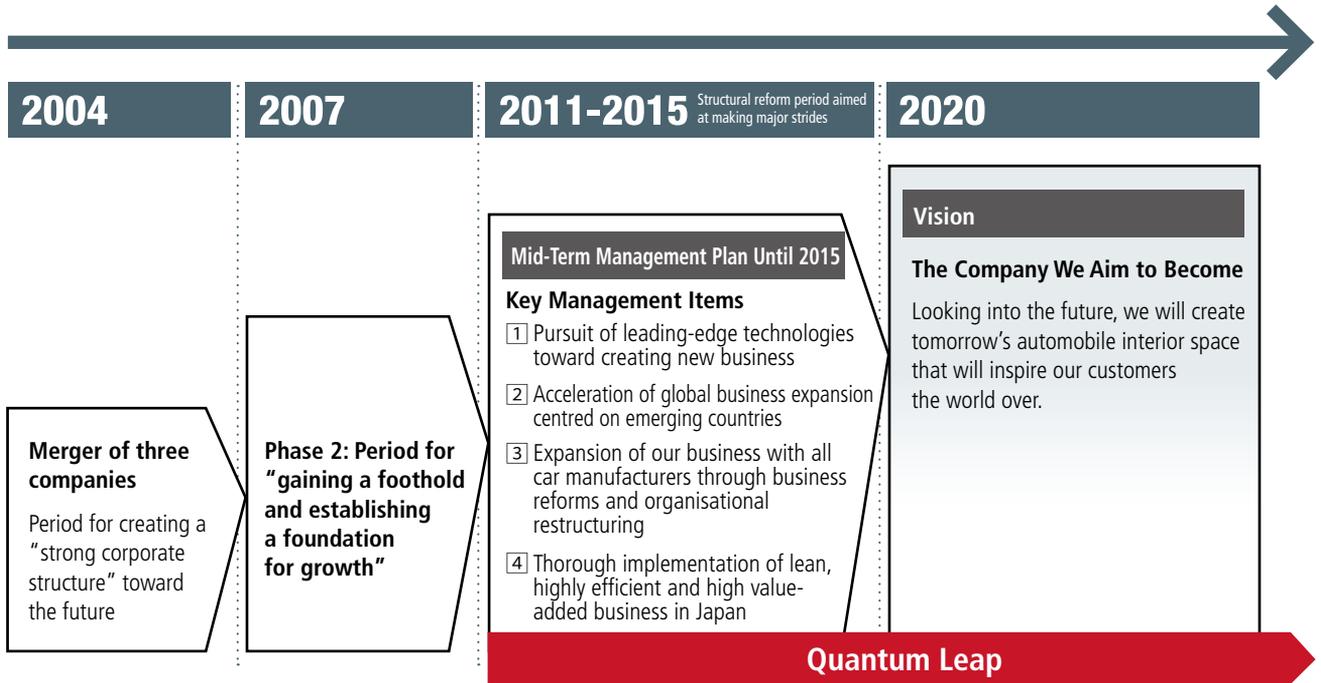
Seat fabrics



Service bumpers

# 2020 Vision / Mid-Term Management Plan Until 2015

In aiming to be one of the world's leading interior system suppliers and filter manufacturers, the Toyota Boshoku group has drawn up the 2020 Vision, a long-term management vision for fiscal 2020, and Mid-Term Management Plan Until 2015 to ensure the group prevails in global markets. Each and every person in the Toyota Boshoku group will take a Quantum Leap in thinking to tackle issues that vary by region and function and commit themselves to successfully attaining challenging goals.



## Toyota Boshoku's Aspirations for 2020

### Our place in business

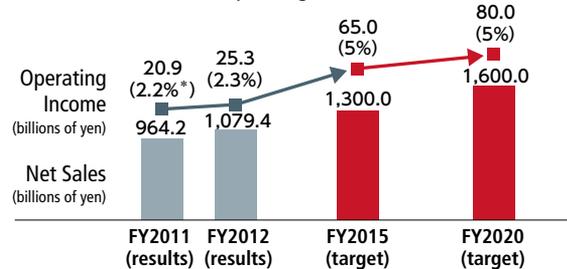
- (1) A company that persists in proposing excellent mobility for customers throughout the world
- 1) Readily provide products tailored to the various lifestyles of respective regions through innovative technologies that are unique to the Toyota Boshoku group and consistent in its manufacturing quality.
  - 2) Have an established presence in terms of unique value by creating innovative, next-generation products that exceed customers' expectations.
  - 3) Strive to provide customers with environmentally friendly and enriched lifestyles by boldly pursuing inroads into new businesses.

### Our place in society

- (2) A trusted company that grows together with all stakeholders
- 1) Resourceful and multi-talented human resources drawn by the appeal of the Toyota Boshoku group, with members working enthusiastically in all regions worldwide
  - 2) Recognised as a company that is trusted and indispensable to society, customers, business partners and shareholders
  - 3) Capable of carrying out unequalled *monozukuri* in every region of the world while carrying out *kaizen* continuously

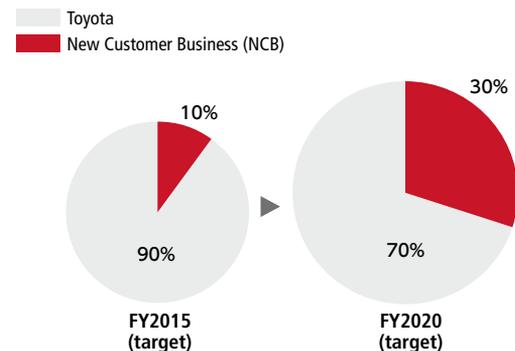
## Business Objectives

### Consolidated Sales and Operating Income



### Sales Ratio

We aim to maintain our sales for Toyota Motor Corporation and achieve business expansion by acquiring new customers and projects.



# Philosophy

Based on the Principles of Toyoda, which encapsulate the ideas of founder Sakichi Toyoda, the Toyota Boshoku group formulated our corporate philosophy for maintaining the trust of all stakeholders and our vision, which articulates the type of company we aspire to become. With the corporate philosophy and vision serving as a framework, we have established clear policies, targets and plans for our business, social and environmental activities. We have also formulated the TB Way and the Toyota Boshoku group code of conduct to ensure that all company members share common values and behaviour.

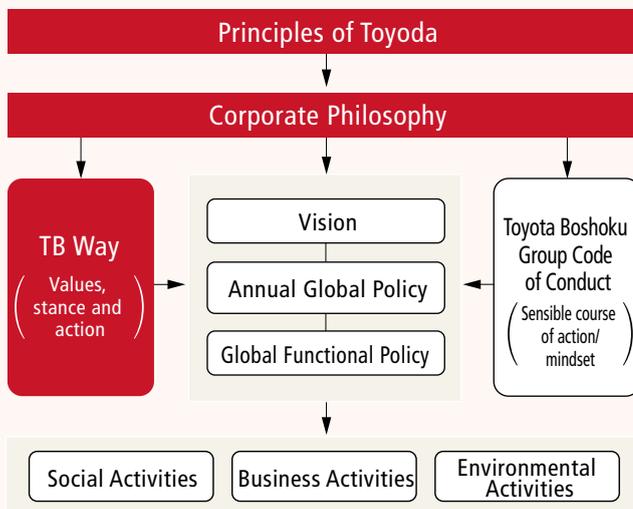
## Principles of Toyoda Handing down the spirit of Sakichi Toyoda (established in 1935)



Sakichi Toyoda



- Always be faithful to your duties, thereby contributing to society and to the overall good.
- Be at the vanguard of the times through endless creativity, inquisitiveness and pursuit of improvement.
- Always be practical and robust, and avoid extravagant and frivolous practice.
- Always strive to build a homelike atmosphere at work, one that is warm and friendly.
- Be reverent, and show gratitude for things great and small in thought and deed.



## Corporate Philosophy

- |                      |   |
|----------------------|---|
| 1. Society           | The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen: <ol style="list-style-type: none"> <li>1) Maintain ethical values, ensuring that our corporate activities are fair and transparent;</li> <li>2) Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment;</li> <li>3) Create a better society as a member of our local communities.</li> </ol> |
| 2. Customers         | The Company will develop innovative technologies and products to deliver quality that satisfies our customers.  |
| 3. Shareholders      | The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.  |
| 4. Employees         | The Company will build and maintain positive labour-management relations, respect the individuality of its employees and create safe and comfortable workplaces.  |
| 5. Business partners | The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.   |

## TB Way

**We contribute to society by developing leading-edge technologies and manufacturing high-quality products.**

1. We meet challenges with courage and creativity, to realise our dreams.
2. We carry out *kaizen* continuously, aiming to achieve higher goals.
3. We practice *genchi-genbutsu* by going to the source to analyse problems and find their root causes.
4. Once a decision is made, we move quickly to carry out the plan, with passion and a sense of mission.
5. We seek to do our best, act professionally and take responsibility for our actions.
6. We respect the values of other cultures and accept differences, with an open mind and a global perspective.
7. As a good corporate citizen, we do what is right and contribute to society.
8. We respect the individual and use teamwork to produce the best result.

## A Message from the President



Last year, the Toyota Boshoku group formulated the 2020 Vision, which aims for a further leap forward and expresses the image we aspire to be in 10 years, and also created the Mid-Term Management Plan Until 2015 for guiding efforts to attain the vision. Fiscal 2012 marked the second year in which Toyota Boshoku accelerated group-wide initiatives for meeting new challenges to realise the 2020 Vision. These measures steadily yielded a host of noteworthy achievements that included expanding our business domains and securing new customers.

As part of efforts to expand business domains, we successfully applied existing core technologies to commence production of motor core constituent parts for hybrid systems, thereby entering the field of hybrid vehicles, which is a market that holds promise for future growth. Meanwhile, our ambitious activities for securing orders in new non-automobile fields led to our first order for seats for railway cars. Similarly, we applied textile technologies, which is the origin of our business, to develop and launch sales of wall decorations for home interiors. To secure new customers, starting with European automakers, we proactively promoted activities to secure orders. Concurrently, we set up new manufacturing bases to build up our business foundation to accommodate new orders from these customers and created a strong business structure also capable of responding quickly to new business models.

The business environment surrounding Toyota Boshoku is likely to continue evolving in the future. Harsh circumstances are expected to persist owing to decreased vehicle production volume in Japan amid circumstances that include declining birth rates. At the same time, although vehicle production volume is projected to increase in emerging countries, where markets are booming, the shift towards lower-priced compact cars in these markets will likely gain further momentum.

Even under these difficult circumstances, to ensure our ongoing survival as “a company that persists in proposing excellent mobility for customers throughout the world,” Toyota Boshoku will tackle new challenges for all forms of interior space and secure new customers while redoubling efforts to expand our business in continually growing emerging countries. Additionally, in working to realise the 2020 Vision, all members of the Toyota Boshoku group are committed to acting in concert to address various issues with a strong sense of determination to make a Quantum Leap unconstrained by past concepts and values.

In accordance with our corporate philosophy of “Promoting corporate growth while fulfilling our responsibilities as a good corporate citizen,” we will work to create a company that is trusted by all stakeholders.

In the future as well, I ask for your ongoing support and encouragement.

August 2013

President

A handwritten signature in black ink that reads "Shuhei Toyoda".

# INDEX

## Table of Contents

### President's Interview

07

We invited Ms. Satoko Ito, who has had an active career as a commentator, to discuss the expansion of new customer business and global development as well as measures that should be taken in the future with Dr. Shuhei Toyoda, President of Toyota Boshoku.



### Special Features Our Quantum Leap Forward

14

#### Special Feature 1

#### New Challenge to Realise a High-Performance Sports Seat —In Pursuit of the Pinnacle of Functional Beauty—

We introduce our high-performance sports seat equipped in the "F SPORT" sports version of the redesigned Lexus IS that realises a balance of function and design functionality and design which transcends traditional limits.



#### Special Feature 2

#### Applying Innovative Technology to Leap Forward to Key Engine Parts

The dream of making a leap forward and a passion for manufacturing of the many members involved in the development and production of a motor core for the hybrid system of the new Toyota Crown model shines through.



#### Special Feature 3

#### Bringing Style and Warmth to Home Spaces — The World of "Nunokabe"

We introduce a new home interior wall ornamentation jointly developed with a home builder utilising our textile techniques, the origin of Toyota Boshoku's business, and techniques gained from our automobile interior business, particularly seat cover design.



#### Special Event: "Interaction with the Local Community"

#### Welcome to Our Sustainable Plant

#### —A Plant That's Kind to the Environment Seen through the Eyes of Children



### Global Challenge

25

### Social Activities

32

### Environmental Activities

52

### Facts & Figures

68

### Third-Party Comments

84

#### To Readers of *Toyota Boshoku Report 2013*

The editorial policy, scope of reporting and reference guidelines concerning this report are indicated on page 83.

# Meeting High Targets and New Challenges with a Never-Give-Up Spirit

## Now is the time for all members to make a Quantum Leap

Fiscal 2012 marked our start under the 2020 Vision and Mid-Term Management Plan Until 2015. This was also a year that saw Toyota Boshoku make major leaps forward as many of our activities began bearing fruit. For the *Toyota Boshoku Report 2013*, we welcome Ms. Satoko Ito, who has had an active career as a commentator, to discuss the expansion of new business, global business development and initiatives for the future with Dr. Shuhei Toyoda, President of Toyota Boshoku.



Shuhei Toyoda  
President

Satoko Ito  
Visiting Professor,  
Graduate Institute for  
Entrepreneurial Studies

## Overview of Fiscal 2012

**Ito** I understand that in fiscal 2012 you formulated the 2020 Vision, Toyota Boshoku's long-term vision for fiscal 2020. The fiscal period also marked the first year of the Mid-Term Management Plan Until 2015, which contains targets essential for attaining the 2020 Vision. Looking back, how would you assess the measures you implemented over the past year?

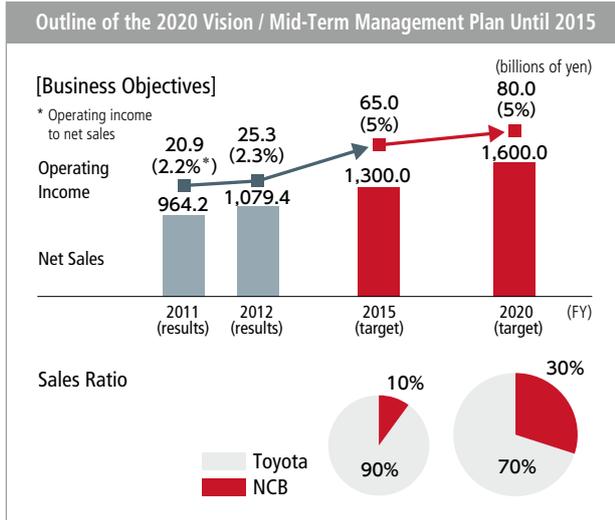
**Toyoda** The vision articulates the directions we will pursue in addressing a host of key issues to ensure the Toyota Boshoku group's ongoing survival and achieve further growth amid a dramatically evolving global market environment. As key issues to be addressed within this environment, we must respond to intensifying competition in emerging countries and shifts to local production by automakers, while maintaining business with existing customers and supplying products to new customers. Under the 2020 Vision, we have set the bar extremely high with a consolidated net sales target of 1,600.0 billion yen in fiscal 2020. To reach this target, we will strive for an audacious expansion in existing businesses, focusing our efforts on the four axes of "customers," "geographic regions," "products" and "technologies."

Regarding customers, we aim to expand our sales ratio for New Customer Business (NCB) and have set numerical targets to achieve a NCB sales ratio of 10% in fiscal 2015 and 30% in fiscal 2020.

In terms of geographic regions, we are focusing especially on expanding business in emerging countries. We are currently adopting an array of measures for responding to the local procurement needs of customers in emerging countries. For example, we commenced production of seats in Brazil and are increasing production there to meet rising demand. Meanwhile, we established a new joint venture company in Pakistan, where the automobile market is expected to grow sharply. To expand NCB, we have strengthened our business infrastructure and established new companies in Pilsen, Czech Republic, and in Shenyang, China, that will produce automobile interior components to respond reliably to the global production of European automakers in various regions.



Toyota Boshoku Do Brasil



**Satoko Ito**

Ms. Ito worked as a newscaster for a news programme while attending college. In 2002, she studied abroad at Fordham University in New York. Upon returning to Japan, Ms. Ito has worked as a television and radio newscaster and commentator. Through the Japan International Cooperation Agency, Ms. Ito has visited a number of developing countries, where she realised that a business perspective is essential for sustainable development, which prompted her to obtain an MBA. Ms. Ito has covered a wide variety of case examples of businesses in Japan and abroad and has reported on these business initiatives through the media and lectures. In 2010, she assumed the position of Visiting Professor at the Graduate Institute for Entrepreneurial Studies (Niigata Prefecture). Ms. Ito also serves as a member of the Ministry of Education, Culture, Sports, Science and Technology's Committee on Atomic Energy Science and Technology, Ambassador for the Itoigawa Global Geopark and as a member of the Niigata City Centre Promotion Conference Committee.

We must also strengthen our competitiveness by enhancing our supply chain. To realise highly cost-competitive *monozukuri* (manufacturing), we are relocating labour-intensive sewing operations and have reorganised our plant in Turkey and shifted a portion of production from Thailand to neighbouring Laos. I am confident that pursuing quantum leaps in every aspect of our operations has enabled us to make major strides forward and advance successfully into new fields.

**Ito** Besides automobile seats, you've been recently expanding the scope of your business by moving into seats for all types of interior space. Doesn't this also require a quantum leap?

**Toyoda** Yes it does. Let me give you an excellent example within our product domain of how we have successfully developed seats for non-automobile interior spaces. Since the merger in 2004, we've compiled an especially impressive track record in creating excellent seats. Among our many achievements, we take immense pride in and have gained much confidence from the performance, design and superb craftsmanship of Toyota Boshoku's seats for the Toyota Lexus brand. Capitalising on a wealth of experience and technologies cultivated by developing seats for these luxury vehicles, we made a proposal for seats to be used in the Gran Class car in the Hokuriku Bullet Train (*Shinkansen*) operated by East Japan Railway Company and West Japan Railway Company. Toyota Boshoku's outstanding technologies were duly recognised and we successfully secured this order for seats for the Gran Class car. The team executing this project was subsequently reorganised as the ACT Promotion Division in 2013 and is working to expand the fields of applications for seats to all non-automobile interior spaces that include railway cars and aircraft.

**Ito** Going head-to-head with and winning orders in the same field as competing manufacturers that preceded Toyota Boshoku into the market is truly remarkable. I would like to experience the luxury of your seats.

**Toyoda** Thank you. I hope someday you'll have the chance to do so. Besides non-automobile interior spaces, we are also making inroads into the home interior field. As you know, weaving was our original business at the time of our founding in 1918 and textile technologies represent a core technology. By skilfully blending textile technologies with automobile seat-related technologies, Toyota Boshoku and Toyota Housing Corporation jointly developed a new home interior fabric wall decoration called "Nunokabe" and commenced sales in June 2013. Nunokabe is an easy-to-attach wall decoration and covers can be changed to update designs and for maintenance. They also feature soil-resistant and waterproof properties. As we upgrade our home interior product lineup, I would like to expand our sales channels and provide people with new forms of warmth and value for their homes.

**Ito** Nunokabe is also an interior wall material resembling a mural painting that I think offers other new and exciting possibilities. On another front, I heard that motor core components produced by Toyota Boshoku have been installed on the much-talked-about, new-model Toyota Crown Hybrid. Are these motor core components also one successful outcome of Toyota Boshoku's efforts to enter new fields?



Innovative sports seat installed in the "F SPORT" sports version of the redesigned Lexus IS lineup

▶▶ More details on pages 15-16.



Motor core constituent parts for hybrid systems

▶▶ More details on pages 17-18.



Nunokabe wall decorations (above sofa)

▶▶ More details on pages 21-22.

**Toyoda** Yes, this is yet another example of how we are successfully applying Toyota Boshoku's unique technologies in totally different fields. More precisely, back in 2005 we developed a new high-precision, high-quality and high-speed stamping process to produce a seat recliner component. We recently applied this core technology to the development of the main components of the motor for hybrid systems, which requires an even higher level of precision. We have been undertaking smooth production of motor core components since December 2012.

## Global Expansion of New Business

**Ito** As an ambitious initiative for expanding business, in fiscal 2012 you began undertaking joint development activities with other manufacturers to gain access to additional technologies. Can you tell us about this?

**Toyoda** That is correct. First, let me emphasise, though, that it will always be important to think of ways of utilising our own propriety core technologies and innovative technologies. While doing so, however, we must also take advantage of existing supplier's technologies, cultivate new partners, utilise their new technologies and consider ways we can skilfully combine all these technologies.

I will now give some specific examples of our activities within the technologies domain. In August 2012, Toyoda Boshoku jointly developed interior component packages in cooperation with Nihon Tokushu Toryo Co., Ltd. and Switzerland-based Autoneum with whom we have forged a collaborative relationship. These interior component packages are outstanding in terms of quietness and feature an excellent balance between cost and mass. Additionally, we are making progress in developing products with new value-added in collaboration with Tokai Rubber Industries, Ltd. and Tokai Chemical Industries, Ltd.

**Ito** I can see these activities involve advancing concepts beyond existing frameworks in elemental technologies as well. While continuing to make these advances in technologies, it will also be important to strengthen your production structure. As you develop your global network, you have also recently expanded your operations into Pakistan and Laos.

**Toyoda** The Pakistan market holds enormous growth potential and will likely develop significantly in the future. Although major results are not expected immediately, we believed the time was ripe to establish a presence in Pakistan and decided to set up a joint venture for producing automobile interior components in that country. We also set up a new vehicle interior components production company in Laos mainly to complement our production base in Thailand.

**Ito** I had the opportunity to visit Bangladesh to gather news about the Japan International Cooperation Agency's involvement in businesses targeting lower-income groups. During my visit, I had a close look at Japanese companies that have succeeded with local businesses and made invaluable





The Toyota Boshoku Managers' Association built an elementary school in the Philippines.



Tree-planting activities in China

contributions to the local community. This heightened my awareness that it will become increasingly important for global companies to proactively contribute to local communities in countries worldwide via their business activities. In the same manner, I expect that local governments and business communities also have high expectations of Toyota Boshoku. What are your thoughts about this?

**Toyoda** Our forerunner Sakichi Toyoda founded Toyoda Spinning & Weaving Co., Ltd. in 1918 and just three years later in 1921 set up operations in Shanghai, China. He established operations in China driven by his desire to be useful to Chinese society by undertaking manufacturing through spinning. From that same time, Sakichi strongly avowed to "contribute to society and the world through manufacturing." This philosophy remains alive and well today.

The Toyota Boshoku group is expanding globally and our operations now encompass more than 20 countries. Undertaking business in a country means promoting activities deeply rooted in that country and making contributions to benefit that country. With this in mind, we must be highly attuned to what each country and region expects most from Toyota Boshoku. Smoothly undertaking manufacturing basically requires that members acquire capabilities beyond technical skills. In Laos, for example, besides providing locally hired staff with technical job skills, we are considering making efforts to provide them with basic education. I would be extremely pleased if this education in turn helps raise overall education levels throughout society in Laos.

## Strategies and Measures in Fiscal 2013

**Ito** Could you describe the directions you will pursue in fiscal 2013 and explain some of your ideas for achieving significant growth in the future?

**Toyoda** I expect that uncertainties will persist in the business environment in fiscal 2013 despite recent signs of economic recovery. Even under such challenging conditions, Toyota Boshoku has set extremely high targets. I would like to see all members of the Toyota Boshoku group deploy teamwork globally to address the many difficult issues we face and make every effort to attain our challenging targets with a sense of passion, mission and a never-give-up spirit. This "never-give-up" spirit means having strong resolve to never quit and to execute all matters to completion at the highest level.

**Ito** Yes, having the strength to never-give-up and follow through on things to completion is essential. Incidentally, why did you choose the phrase "Quantum Leap"?

**Toyoda** Trying to attain high targets and address difficult tasks requires shifting to completely new ways of thinking that are not merely extensions of current ideas. However, I didn't think company members would really be motivated to change their thinking by such commonly heard expressions as "Let's shift to new ideas" and "Let's leap ahead." Alternatively, the phrase Quantum Leap is related to quantum theory, which cannot be understood without changing one's thinking from the most fundamental level. I believed the expression Quantum Leap would instill company members with a much deeper understanding of the true meaning, significance and urgency of changing our mindsets. Also, establishing extremely high targets is important



because when targets are set too low members are unlikely to develop a never-give-up spirit. The high targets we have set under our 2020 Vision are thus also aimed at promoting a Quantum Leap in thinking and actions. Low targets can be attained easily without having to change one's thinking. When members run into a wall and are struggling to attain high targets, they can't surmount that barrier unless they change their way of thinking.

I would also like to create a positive cycle whereby efforts to attain high targets spark passion that spurs a never-give-up spirit that results in a quantum leap in thinking.

**Ito** What management initiatives will you focus on particularly in fiscal 2013?

**Toyoda** We have identified three priority tasks in fiscal 2013, namely expand market share, raise added value and secure profits.

To expand market share, besides achieving growth along with expansion in markets, we will make our utmost efforts to cultivate new business and secure new customers. We will strive to aggressively expand our share in the four domains of products, technologies, geographic regions and customers.

To raise added value, we must accurately ascertain customer needs and provide them with products that surpass their expectations. We will promote business based on sales price strategies while also focusing on the sales of components for recliners, urethane pads and other items to raise our competitiveness.

**Ito** In talking about added value, I would like to turn to brand power. I made a news-gathering visit in Japan to a nail clipper manufacturer in Niigata Prefecture that had operated as a local town workshop and subsequently was transformed into a glass windowed factory resembling a museum. The skills of craftspersons attired in French-made uniforms are showcased for viewing by the general public. This manufacturer has also built a unique brand that has attained high name recognition, and the company's products are even used regularly by dignitaries in Europe. What are your thoughts about enhancing the Toyota Boshoku brand?

**Toyoda** Toyota Boshoku's automobile seats are winning high acclaim in the automobile industry and among motor journalists. By developing even slightly better seats for the customers who actually ride in our seats, I hope to be told by an even larger number of people that "Toyota Boshoku makes great seats."

We are also trying to raise added value for interiors by enhancing design capabilities and functionality. As part of these efforts, we established the Toyota Boshoku Milan Design Branch for automobile interiors in Milan, Italy. We have high expectations this branch will contribute to our brand creation while absorbing European design sensibilities so that we can develop world-class designs.

**Ito** What concrete measures are you implementing to secure profit?

**Toyoda** We are focusing on building a more streamlined and strong corporate structure. This naturally involves promoting fast and efficient work operations by extensively sharing and integrating parts. In parallel, we are realigning our production bases on a global scale to build an efficient and optimal production structure. This is particularly crucial since many of our components are relatively large, which means incurring high logistics costs if we don't manufacture close to the production bases of automakers. Of course, we would never have a sufficient number of plants if we fully responded to each automaker in this manner. For this reason, to a certain extent we will concentrate on the manufacture of small and lightweight components. Besides emphasising quick responses to market changes and thoroughgoing improvement activities by production bases, I believe that securing profit is linked directly to flexible responses by these production bases from the perspectives of reducing logistics costs, promoting labour-saving operations and utilising floor space more efficiently.

## Realising Audacious Leaps Forward in the Future

**Ito** Members are an especially valuable asset for making further leaps forward. What areas are you emphasising to cultivate human resources?

**Toyoda** Making further leaps forward depends on the abilities of each and every member of the Toyota Boshoku group. On-the-job training (OJT) is one important means of developing the abilities of people. The ways in which we actually



instruct members during OJT are extremely important as we provide members with themes and targets. Also, I believe we must make unprecedented efforts to develop local human resources in each region and country where we operate and nurture Japanese members to have a global mindset. This will enable us to shift away from management centred on Toyota Boshoku in Japan and move towards business driven by leaders in each region around the globe.

**Ito** Nurturing global human resources is indeed an urgent task. English and other language skills are certainly important in this area. Speaking from my own experiences from studying abroad at a university in New York, however, I think that interacting and debating with people of different ethnicities and fostering the imagination and communications skills for building a consensus from this discussion is one means of developing people essential for globalisation. What are your thoughts about this?

**Toyoda** If a member who has worked in Japan is transferred to an overseas company that member will naturally perform work in a wider category of jobs. In such a case, what really matters, though, is whether that member has acquired the thinking and skills needed to perform their expected job. Another important point is to not be afraid of anything new. Members have various realisations when they look at a new job from the perspective of their former job. Therefore, a member should take a proactive approach and never be afraid to change regardless of their job.

## **Towards Becoming a Truly Global Company**

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**Ito** The 2020 Vision states that Toyota Boshoku will strive to be “a trusted company that grows together with all stakeholders” as the company you aspire to become in fiscal 2020 from the viewpoint of society. I believe this approach is closely related to sustainable business and will lead to further growth as a global company.

**Toyoda** Toyota Boshoku is a company that engages in manufacturing. From this standpoint, it is imperative that we possess the technological capabilities to provide appealing products, including those with subconscious appeal. To do so, we must also actively undertake advanced R&D. At the same time, I realise we have a growing responsibility to meet the expectations of society as Toyota Boshoku achieves further growth and expands its business fields.

To meet the expectations of all stakeholders, we engage in corporate social responsibility (CSR) activities from a variety of perspectives that encompass quality, safety, compliance, risk management, human resources development and social contribution activities. Given the importance of these initiatives, we must step up efforts to further strengthen CSR activities.

Toyota Boshoku’s approach to manufacturing helps contribute to the environment and our product development is undertaken in accordance with environmental standards in each country. As a responsible global company, we pursue the highest levels of quality, comfort and safety in our products, develop products that enable resources to be recycled, utilise manufacturing methods that minimise energy usage and undertake activities encompassing our supply chain that reduce the environmental burden.

**Ito** Another type of contribution is creating a company where company members can work with a sense of purpose and perform their jobs with satisfaction. Do you feel the can-do spirit that fills all Toyota Boshoku members is what drives new initiatives and helps create new products?

**Toyoda** All members are working towards goals based on respective objectives. On occasion, members will naturally experience failure. However, making one’s best efforts without fearing failure also creates motivation and satisfaction. I will never forget the words of a top manager of a textile company in Yorkshire when I was studying in the United Kingdom. The manager said, “If a man never attempts what appears to be impossible, he will never accomplish what is possible.” This means that nothing can ever be achieved without first taking on new challenges. These words really resonated deeply within my mind. If a member fails to make an effort because they think “something appears impossible,” there is a chance they will fail to accomplish something not because it was actually impossible but because they did not even try. I would like members to avoid leading their lives in a manner in which they never take on challenges.

**Ito** An environment and corporate culture that nurture a spirit of challenge without fear of failure is important.

**Toyoda** It is extremely important. We will promote the creation of friendly, safe and healthy workplaces for all members as well as workplaces that provide a sense of challenge and are filled with the Quantum Leap ethos. Toyota Boshoku will work in unison to attain our 2020 Vision and the Medium-Term Management Plan Until 2015. In striding towards our goals, I am confident we can meet the expectations of our stakeholders.

# Our Quantum Leap Forward

The path from challenge to achievement based on a dedication that opens up a world of possibilities

We aim to be a company that continues to propose the ultimate in mobility to customers worldwide and that is trusted by and grows hand in hand with all stakeholders. Here, we introduce several key achievements of the Toyota Boshoku group as we move towards what we aspire to be in fiscal 2020.



## 01 | New Challenge to Realise a High-Performance Sports Seat

—In Pursuit of the Pinnacle of Functional Beauty—

P. 15



## 02 | Applying Innovative Technology to Leap Forward to Key Engine Parts

A group of challengers succeed in developing a motor core for hybrid systems

P. 17



## 03 | Bringing Style and Warmth to Home Spaces

The world of “Nunokabe”

P. 21





LEXUS IS

# New Challenge to Realise a High-Performance Sports Seat

—In Pursuit of the Pinnacle of Functional Beauty—

## Exceptional design and technology combine for a more pleasurable drive

The redesigned Lexus IS was released in May 2013. This new “F SPORT” sports version is equipped with a sports seat developed by Toyota Boshoku. The high-performance sports seat, which has caught the eye of motorsports fans, involved a new endeavour to realise functionality and design that transcends traditional limits.



## For enhanced hold performance and high-quality design

Toyota Boshoku has developed an innovative sports seat for the redesigned Lexus IS. The new sports seat conforms to the contours of the body to optimally distribute seat pressure, ensures a comfortable fit and protects the shoulders

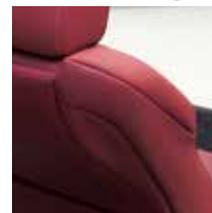


**Yoshihisa Nakagawa**  
Product Programme Manager, Product Planning & Management Centre

and torso from gravitational pull during cornering for exceptional hold performance. Moreover, the seat is slimmer, achieving a more sophisticated and sleek design that enhances the high-grade sporty atmosphere. The seat also makes it easier to get into and out of the car and provides ample legroom for rear seat passengers.

The “Foam in Place Method” was developed over many years to ensure a comfortable ride and high-quality design befitting the sporty version of

### ■ Seatback Design

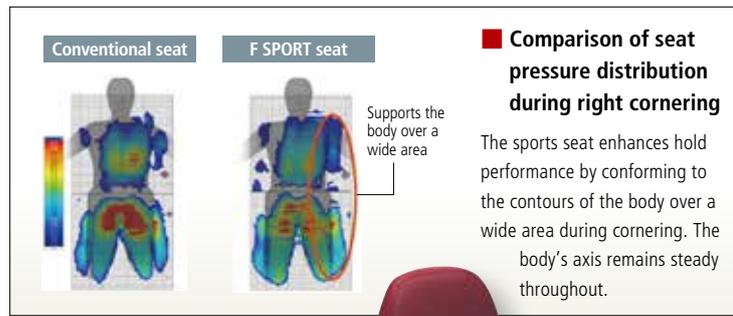


An inspired concave design makes the side of the seat appear slim.



There is increased legroom for rear seat passengers thanks to the thin profile and absence of a back board.

the premium brand Lexus. This is an unprecedented example of a sports seat based on this method being used in a luxury car. Through repeated trial-and-error and test-driving, our engineers sought to realise the ideal seat configuration from the perspectives of aesthetics and comfort as demanded by designers. Cars are about more than simply getting you to your destination. We hope everyone has the chance to experience the pleasure of riding in this seat.



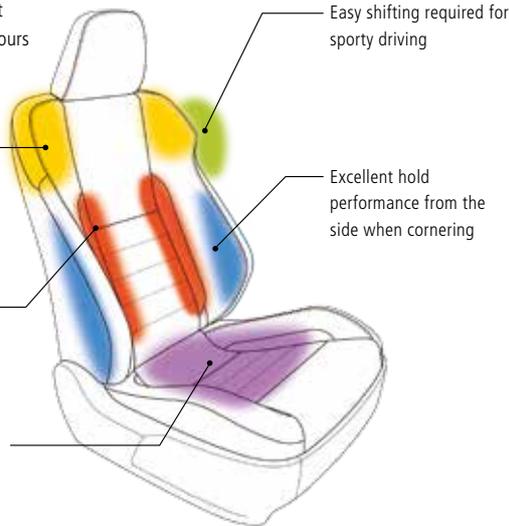
**A seat that realises exceptional functionality and design**

Toyota Boshoku pursued a design that ensures the seat fits freely to the contours of the body and enhances required functionality to the maximum extent.

Enhanced support for shoulders through concave design

Conforms to the contours of the body

Hugs one's backside from the rear to sides



**Foam in Place Method achieves the pinnacle of functional beauty**

The sports seat for the redesigned Lexus IS was created utilising the Foam in Place Method. With this technique, urethane is directly injected into seat covers that have been placed inside metal dies and then the foam sets to the intended shape. The method enables a seat form that is faithful to the design as well as an unprecedented seat configuration. Compared with conventional methods of attaching seat covers to pre-formed foam, the Foam in Place Method ensures that the seat fits the contours of the body perfectly.

In developing this method, we concluded a technical agreement with France-based Treves, a world leader in Foam in Place Method technology, and travelled to France to acquire the technology. We then integrated our own technological development capabilities and created our own unique Foam in Place Method. With this method,

the seat also includes an occupant detection system and seat ventilation system, which are world firsts. In addition, equipping the seat with an airbag was a first for Japan. Moreover, this method can be used with fabric, man-made material and genuine leather to create a wide variety of desired shapes.

A key feature of the seat is that it achieves the "pinnacle of functional beauty." This was made possible by integrating development and production plus repeated tests and research. As an example, it is impossible to realise such functional beauty if there is even the slightest error in the method that sets the cover to the metal die or the amount of material introduced. We succeeded by making incremental improvements and enhancing manufacturing capability.

The Lexus demands the highest quality. We plan to contribute to the creation of products that will lead the world through our unique Foam in Place Method which has been recognised and chosen by this brand.



**Yoshiyuki Murata**  
Group Manager, Polyurethane Production Engineering Group, Seat Production Engineering Division

**Foam in Place Method**



**Enhancement of hold performance**

Seat made using conventional method of attaching cover

Seat made using Foam in Place Method



Support at different points



Support in a concave shape

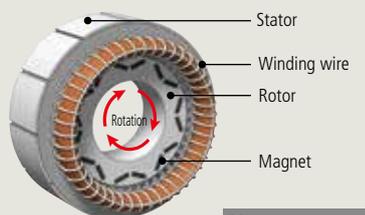
# Applying Innovative Technology to Leap Forward to Key Engine Parts

## A group of challengers succeed in developing a motor core for hybrid systems

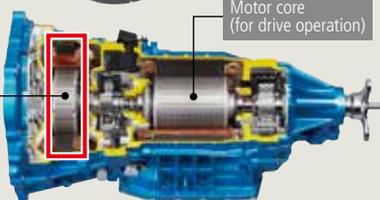
Toyota Boshoku started production of a motor core for the hybrid system of the new Toyota Crown model in 2012. The new product applies the fine hold stamping (FHS) process that was developed for the production of recliner adjustment parts for automobile seats. Although Toyota Boshoku has primarily been engaged in the production of supplementary engine parts over the years, this latest effort has helped us expand into key engine parts as well. Success in this new field represents a fresh step forward that can be attributed to the desire and passion of staff in development and manufacturing.

### Motor core for power generation

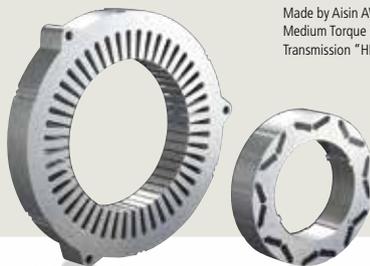
The motor core is a key component in supplying the electricity required to rotate the drive motor. This occurs when the inner rotor rotates and an electric current is sent to the winding wire of the outer donut type stator. The motor core adopts unique technology in which thin steel sheets with a thickness of a few hundred microns are cut in a circular shape and stamped before over 100 of the sheets are layered together. Precision at the 1/1000th level is required in each of these processes.



Motor core equipped in Toyota Boshoku products (for power generation)



Made by Aisin AW  
Medium Torque Capacity RWD 2-Motor Hybrid  
Transmission "HR-20"



Motor core constituent parts  
Stator (left) and rotor (right)

### Utilising core technology in different fields and cultivating new business

Toyota Boshoku has started on the production of core components for the motor to generate power in hybrid vehicles, namely the rotor and stator.

Development got underway in 2008. At that time, the question was raised as to whether the FHS process, a high-precision, high-speed stamping technology that Toyota Boshoku developed for automobile seat recliner parts, could be applied to a totally different domain. That led to the idea of components for an all-new field, a motor core for hybrid systems.

Staff at the Power Train Engineering Division, which is in charge of product development, were unclear about how to approach this task. They had to learn from the very basics, including what a motor core actually was, particularly since this involved development of a key engine part and not a supplementary engine part. Development of the motor core, the first step in the process, provided a series of challenges for Toyota Boshoku.

The biggest issue was finding the best way to draw out the Company's comparative advantage. To compete with manufacturers that were a step ahead, the goal of development was to realise a level of precision that was double that of competitor products. In short, Toyota Boshoku's strategy was to achieve a two-fold jump in



Takasuke Shikida  
Division Manager, Power Train  
Engineering Division

Staff members in charge of product development and production engineering



the precision of each pressed sheet and stacks of over 100 sheets, which would set it apart from other companies and call attention to the appeal of its products.

"We had confidence in the FHS process as one of our core technologies and we strongly believed we would succeed in the project," recalls Takasuke Shikida, Division Manager of the Power Train Engineering Division. In spite of this self-assurance, however, the fact was Toyota Boshoku didn't have the technology at the time to check such a level of precision. To prove that the products could be made exactly as per the technical drawings, measurements at any point had to clear required target values and it was necessary to achieve the levels of precision required by the customer under any conditions and at any time. Accordingly, measurement methods had to be considered in view of how the product was to be used. To give an example, there is bound to be variance in measurement scores for products cut from a magnetic steel sheet into a shape as close as physically possible to a perfect circle. "Technology to measure precision was a challenge directly related to motor performance, so we repeatedly measured hundreds of points on the product and racked our brains to come up with the optimal measurement method to minimise variance to the extent possible," says Shikida.

There were several other challenges that had to be overcome as well, including clarifying the mechanism for materials that were to be handled for the first time, raising accuracy to the micron level and switching materials. The ultimate aim, however, was to contribute to an improvement in motor performance step by step to enhance precision.

### Trying materials and processes for the first time to produce ultra-precision parts

Toyota Boshoku has accumulated various stamping technologies over the years, beginning with the FHS process, but the motor core required entirely different materials, stamping accuracy and production speed. The Functional Components R&D Division was charged with the creation of this production technology.

"Although material properties and conditions for processing are well defined, successful production of the motor core can be attributed to the fact that members from each section fulfilled their missions," explains Masami Sakakibara, Division Manager of the Functional Components R&D Division. "Everyone did what they could to get the job done, including developing the stamping die, enhancing accuracy and speed, devising innovative ways to ensure the line wouldn't stop and establishing maintenance technology for the equipment. Without such teamwork and a willingness to push the limits, we wouldn't have been able to achieve an integrated production system."

According to the person in charge of the stamping process, it was necessary to press the thin steel sheet at a thickness of a few hundred microns and stack over 100 of these sheets with precision at the micron level, leveraging the features of the FHS process in terms of a clean surface for the cut sheet and exceptional accuracy.

The problem was that the sheet for recliner parts has a tolerance of a few dozen microns in diameter. In order to produce something that was comparatively a lot bigger with high precision, high speed and at a low cost, it was necessary to develop a precision stamping process that further improves on the techniques of the FHS process.

To achieve this, Toyota Boshoku developed a new stamping die as well as a method to maintain it. The person in charge of maintenance admitted that the die for the motor core was special and in fact different from all the other dies he'd dealt over the past decade or more. The die itself is a precision part and dies that are continually used in production may be off-centre or damaged at the micron level when seen through a microscope even though they may not appear flawed. The method of maintenance largely impacts the durability of a die.

In addition, permanent magnets are inserted at different points on the rotor. They have to be heated up in order to affix them with resin and our aim was to create a production process that was both speedy and compact, eventually devising a technique to warm up the products uniformly in an instant after trying a number of different methods. With these new challenges, we sought to make improvements and learn new skills while reducing the number of work processes and enhancing precision measurement capability.

### Challenging a new goal to power next-generation automobiles

The development and creation of production technology for the motor core would not have been possible if any one of the following technologies were missing: stamping, die production, die maintenance, resin moulding and inline inspection.

"Experience developing the FHS process gave us the confidence to try our hand at anything," says Sakakibara, who brought together members from production engineering and production for the project. "But looking back there was a big gap between the start point and the goal. By bridging that gap, we have taken one step closer to making a quantum leap forward."

In the future, the market for the motor core is expected to expand further as a key component not only in hybrid cars but also in plug-in hybrid vehicles and electric vehicles.

Toyota Boshoku is already pursuing new challenges to make products related to the power source and interior for fast-evolving next-generation automobiles as well as non-vehicular forms of mobility.



Masami Sakakibara  
Division Manager, Functional  
Components R&D Division



Staff  
members in  
charge of  
production



nu: no:  
ka: be:

A new home interior wall ornamentation called "Nunokabe" comprises fabric covering urethane foam on 450mm square backboards, 35mm in thickness. The easy-to-install wall decorations can be arranged in the amount and design that suit the size of the wall and surroundings. They have excellent sound absorbency and a soft cushioning effect with selected fabrics made from soil-resistant and waterproofed material. Fabric coverings can be easily removed for cleaning or to update wall decorations and are currently available in 23 different designs.

# Bringing Style and Warmth to Home Spaces

The world of "Nunokabe"



**Hirotake Noda**  
Division Manager,  
Textile Engineering Division



**Hitoshi Yasuda**  
Department Manager, Creative  
Department 2, F-Creative Division

## Leaping forward from automobiles to home interior fabrics

Toyota Boshoku, which predominantly focuses on the interior design of automobiles, started sales of a home wall decoration called "Nunokabe" in June 2013 following joint development with home builder Toyota Housing Corporation. Nunokabe goes back to Toyota Boshoku's origins in textiles and utilises techniques gained from this business and our automobile interior business, particularly seat cover design. The panels have a soft texture and feel and by combining them one can provide a new accent and colourful backdrop for the home.

### Venturing into new business based on well-established experience in textiles

The Nunokabe project got underway in 2011. To make the most of capabilities accumulated in automobile seats in the new field of interior design, Toyota Boshoku started off with development for Toyota Housing.

**Yasuda: Automobile seats, an area of strength for Toyota Boshoku, are one of the only automotive parts that directly touch a person's body. We wondered if we could use the same sense of design, technology and familiarity with fabric we had amassed in development and production and bring that warmth and softness into the home.**

**We listened to the opinions of customers and reflected these in the design of the wall decoration prior to commercialisation. In this process, we even considered their ideas for sales promotion, which was a fresh new approach for Toyota Boshoku.** Noda: This was our first attempt at developing and marketing interior products for the home. But the new challenge brought a sense of excitement to project members from the outset, particularly since it also involved technology from Toyota Boshoku's original business in textiles.

### A new dimension in aesthetics born from experience in fabrics

The beautiful form and fabrics that make up Nunokabe come from a culture of design and a commitment to sewing techniques nurtured in the field of automotive interiors. From the selection of the thread, Toyota Boshoku shows an incredible attention to detail for the fabrics to faithfully express the desired design, and that same commitment can be seen in the pattern that matches the characteristics of the fabric, which differ in terms of horizontal, vertical and diagonal elasticity. To give an example, the tucked seam used for the wall decorations is also employed in automobile seat covers. This fine sewing technique ensures that the four corners of the soft interior material fit snugly into the four corners of the cover that envelops it. Meanwhile, the plane and curved surfaces result in a form that is very pleasing to the eye.

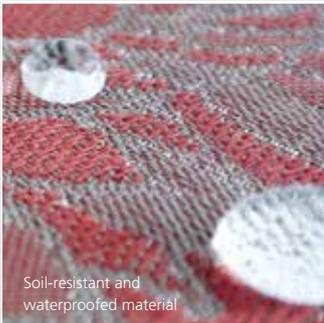
### Choose fabric and design to coordinate your home's interior

Yasuda and his team identified a diverse array of needs based on lifestyle, family structure and preference and sought to reflect these differences in developing Nunokabe.

**Yasuda:** In cooperation with Toyota Housing, we conducted market research to grasp customer desires and frequented housing exhibitions with prototype samples to ask people's opinions on our days off. Drawing on the results, we came up with 23 designs to meet varying needs. To achieve this, we considered coordination with different items in the home like the sofa and wall in addition to focusing on Nunokabe itself. Repeated simulations eventually led to the development of a set of designs.

**Noda:** Establishing a method of evaluation was definitely no easy task. Of course, we based durability tests and other assessments on evaluations and concepts accumulated in automotive parts. But beyond this we created unique evaluation methods in areas such as safety when an earthquake occurs in consideration of people actually living there.

Success in the Nunokabe project can be attributed to the establishment of an all-new process based on fresh ideas that transcend the mere application of existing technology and also to a team that worked hard together to overcome numerous adversities.



Sample product shown at the Milano Salone international furniture fair (Italy)

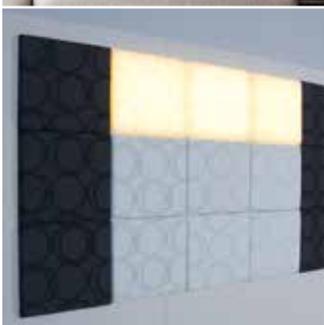
### Adding functionality to aesthetic beauty

Toyota Boshoku is making progress in developing functionality in Nunokabe in addition to its use as interior decoration. As an example, it is possible to add speakers and lighting to make a new kind of home electronics with interior design appeal that fits in with the wall surface. Other functions like air freshener, humidity control and fire resistance can be added to the fabric for use in home kitchens, commercial facilities, public spaces and hotels. The name "nu:no:ka:be:" was devised with the notion of introducing it overseas in the future.

**Noda:** Going forward, we aim to reflect customer requirements in the next stage of development and devise products that consider both the comfort of the interior space as well as people's health. I would like to strengthen efforts to pass along the unique technologies we have made in textiles to younger generations.

**Yasuda:** I hope to develop Nunokabe even further, combining design capabilities and textile-related expertise to make more appealing products. It's important that we maximise Toyota Boshoku's strength in producing fabrics in-house.

Toyota Boshoku has made a significant leap forward in business with the foray from automobile interiors to home interiors, in teamwork by going beyond limits in design and form, and in personal growth with individuals playing important roles not only in conventional spheres but in a diverse array of fields. The challenge to create attractive fabric-based products has only just begun.



Nunokabe with built-in lighting

### Future expectations for Nunokabe

When I first received the proposal for Nunokabe, I could really see the possibilities. There are only a limited number of ways one can decorate a home wall, so Nunokabe is a really exciting prospect. The exceptional cushion-like properties make it ideal for rooms used by senior citizens and children, while the soft texture and noise absorbing qualities provide potential application in bed headboards. Meanwhile, the extensive colour range can be used to brighten up any living room.

Toyota Housing does not have extensive experience in collaborative development of interior materials with a manufacturer. In that context, I hope that the Nunokabe project provides the momentum for us to come up with more interesting new proposals. Going forward, we aim to increase the range of colours, sizes and material variations as well as enhance the peripheral material and parts like panels and frames. By doing so, we have high hopes that this product will become an attractive addition to the interior of people's homes.



**Masumi Tamura**  
Qualified Architect (First Class)/  
Interior Coordinator,  
Design & Construction Planning  
Division, Toyota Housing  
Corporation

# Welcome to Our Sustainable Plant

## A plant that's kind to the environment seen through the eyes of children

On June 10, 2013, 28 fourth-grade students and three teachers from Ibo Elementary School in Toyota City near Toyota Boshoku's Sanage Plant were invited to take a tour of the facility.

The objectives of the tour were to give the children, as the leaders of tomorrow, insight into our corporate activities aimed at ensuring harmonious co-existence with the environment and to reflect their ideas in creating future plants.

With this in mind, we made sure the day was full of learning and fun.



The fourth-grade students and teachers from Ibo Elementary School in Toyota City on the roof of the No. 2 building of the Sanage Development Centre

## Teaching children about sustainable plant activities

The Toyota Boshoku group is creating plants that are kind to the environment through sustainable plant activities at our main global production entities to meet the expectations and trust of local people. Sustainable plant activities aim to create production facilities that utilise and co-exist with nature. This involves working on the three key themes of "Eco-innovation," "Eco-energy" and "Eco-communication." This is an important initiative for the Toyota Boshoku group.

The Sanage Plant toured by the children and teachers is a model plant for our sustainable plant activities. Here, we are undertaking a variety of endeavours that include the construction of the No. 2 building of the Sanage Development Centre, which incorporates the latest state-of-the-art environmental technology, and the introduction of wind-power generation and wastewater purification treatment.



Suguru Taira  
Division Manager, Environment Division

## Plant tour

### Spiral Magnus wind turbine

This wind power generation system had the children commenting on how high it was and how cute the colours were. It stands at an overall height of 14 meters with a windmill diameter of 11.5 meters and power generation capacity of 10kW\*1.

\*1 Equivalent to the power consumed by 50 TV sets

Start



### Seat factory

The children were shown the production line for car seats to increase understanding of what Toyota Boshoku makes.



Goal



### Question time

A question and answer session was held after the tour. The children's curiosity was readily evident as they asked numerous questions regarding such things as plant size, the reasons for the grass on the roof and the extent of chemicals used to clean the water.

### Rooftop greening

Everyone was amazed at the lawn on the roof of the No. 2 building of the Sanage Development Centre used to prevent the sun's rays and heat from directly hitting the building.



### Effluent treatment facilities

We explained that we use a lot of water in making products that are beneficial to society and that after use the water is then made cleaner than river water and returned to the earth. We also did an experiment showing how we purify wastewater.



### Solar power generation



The children looked at the monitor on the first floor of the No. 2 building of the Sanage Development Centre, which shows the status of the solar power generation system on the roof. The fact that the amount of power generated can be seen at a glance led to nods of approval among the children as they busily made notes. They also observed the solar panels on the roof, which generate around 105MWh\*2 of electricity a year. The large number of panels (360) surprised the visitors.

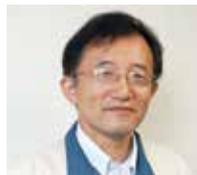


\*2 Equivalent to the power consumed by 25 standard households in a year

## Valuing connections with local people at all times

The Toyota Boshoku group endeavours to create opportunities to communicate and interact with local people. This helps us fulfil our responsibility and role as a good corporate citizen that responds to the challenges and needs of the community.

We will try to reflect the opinions of the visitors in future activities as well. To give a couple of examples, Ayako Oguri (teacher) commented that the tour provided a good chance to see a local company making concerted efforts for the environment, while Yoko Takagi (teacher) said that observing everyone at work provided good career education for the children. Going forward, I would like to see us continue to build strong relationships with people in the local community and hold these connections dear.



**Masaki Mori**  
Assistant Manager, CSR  
Promotion Department, General  
Administration Division

### Increased interest in the environment

In the last part of the tour, participants were asked to fill out a questionnaire. The answers proved that their interest in conserving energy, water and electricity as well as recycling had increased, with some expressing their desire to use water and electricity more carefully, pick up and recycle trash, use solar panels at home, stop disposing of raw garbage down the sink after cooking class and make the town's environment more beautiful.



Children busily filling out the questionnaire

# Global Challenge

Launching New Initiatives Globally to Realise Our Vision



## Global collaboration for achieving 2020 Vision

To respond to the dramatically evolving automobile market and realise our 2020 Vision, Toyota Boshoku is actively rolling out a host of company-wide initiatives. As examples of these initiatives, the activities of the Production Engineering & Production Corporate Division\*<sup>1</sup>, which is establishing a global optimal production structure, and members of the Marketing & Sales and the Development divisions of the GNCB\*<sup>2</sup>, which is making all-out efforts to secure new business, are introduced herein.

\*<sup>1</sup> Production Engineering & Production Corporate Division: Composed of departments involved in production engineering and production

\*<sup>2</sup> Global New Customer Business (GNCB): Targets new customers that include European and U.S. automakers and local automakers in emerging countries. This also includes interior spaces for new customers for all forms of mobility besides automobiles.

## Towards the attainment of 2020 Vision

The environment surrounding the automobile components industry is becoming increasingly severe due to such factors as a declining volume of vehicle production in Japan; rising demand for compact cars, mainly in emerging countries; the globalisation of automakers; a shift towards next-generation vehicles; and intensifying competition with mega-suppliers.

Under these challenging conditions, the Toyota Boshoku group has set two high targets under the 2020 Vision and Mid-Term Management Plan Until 2015. The first is a management target of consolidated net sales of 1,300.0 billion yen and operating income of 65.0 billion yen for fiscal 2015 and consolidated net sales of 1,600.0 billion yen and operating income of 80.0 billion yen for fiscal 2020. Our strategy for reaching these targets is to maintain and expand existing business in addition to securing new business and customers. Regarding new customers, we have set the high target of achieving a New Customer Business (NCB) sales ratio of 10% in fiscal 2015 and 30% in fiscal 2020.

In working towards the targets of the vision, during fiscal 2012 we made strides in developing our global business such as commencing new production in Brazil and Changchun (China) and making preparations for establishing manufacturing bases in emerging countries that include Pakistan and Laos.

## Building a new organisational structure

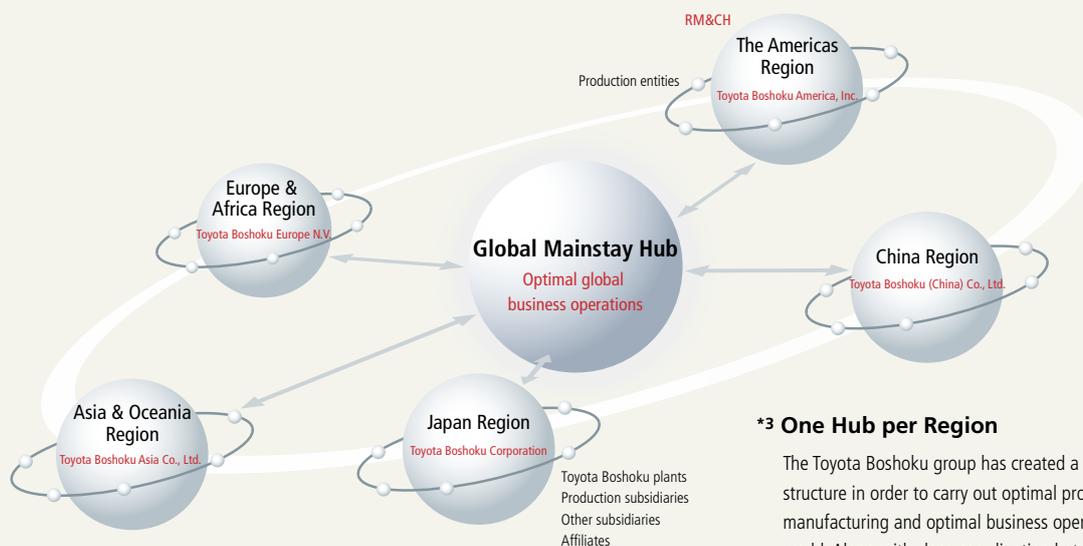
The Toyota Boshoku group promotes One Hub per Region\*<sup>3</sup> business operations, under which the operation of integrated production entities is carried out within each region, with the Regional Management & Collaboration Hubs (RM&CH) serving as the core of operations. Business operations are carried out directed towards the close coordination of functions between the Global Mainstay Hub and each RM&CH. We have achieved especially notable progress in strengthening our global development structure and have firmly established integrated development structures in each region.

During fiscal 2012, we focused on building an organisation capable of responding quickly to various global issues. Specifically, we took steps to respond more precisely to local customer needs by transitioning to a structure under which surveys, planning and business strategies are implemented by RM&CH rather than by Toyota Boshoku in Japan as in the past.

Additionally, we introduced a new product responsibility system. Under this new system, we have assigned persons responsibility for an entire range of functions, from development to production, for each component such as seat frames or urethane pads. With our former system, persons were assigned responsibility according to single functions such as development or production technologies, and we strived to ascertain profits and strengthen competitiveness across the entire assembly process for finished products such as seats. We believe our new system will enable a higher degree of specialisation and expertise for each component that will strengthen the appeal and competitiveness of our components to a level unmatched by competitors.

On a different front, Toyota Boshoku is also building a structure for expanding new business on a global scale. As part of these efforts, we established the new GNCB Marketing & Sales Division and GNCB R&D Division in Japan in addition to setting up GNCB functions in each region globally.

On the following pages hereafter in this section, we introduce examples of the challenges being undertaken in addressing various global issues while expanding existing businesses.



### \*<sup>3</sup> One Hub per Region

The Toyota Boshoku group has created a "one hub per region" structure in order to carry out optimal procurement, optimal manufacturing and optimal business operations throughout the world. Along with close coordination between the RM&CH and the Global Mainstay Hub, RM&CH work together with production entities in respective regions as part of the "one hub per region" structure.

# Building an Optimal Global Production Structure with Our Next Businesses Firmly in Our Sights

The Production Engineering & Production Corporate Division works to optimise the Toyota Boshoku group's manufacturing bases globally to better respond to changes in the automobile market. Together with strengthening manufacturing capabilities, cutting-edge production technologies are provided to manufacturing bases. The division is now stepping up its broad-ranging efforts that include establishing new production plants and carrying out operational planning, local procurement and logistics around the world.

## Planning and control of global production activities

The Production Engineering & Production Corporate Division must firmly grasp the circumstances at each production plant around the world and consider a wide range of complex issues, such as whether to build a new plant or to expand existing plants in the same region, what processes to use and how to set up procurement and delivery networks. Moreover, the division must simultaneously respond efficiently to each project for existing and new customers.

Kenichi Maeda, Department General Manager of the Global Production Planning Department, outlines the role of his division. "The Production Engineering Management Division leads the Production Engineering Centre, Production Control Centre and the Manufacturing Centre. We oversee the deployment and flow of materials, money and human resources as we promote standardisation and streamlining and collaborate with RM&CH in planning a course of action from information gathering to product delivery."

Mainly through the Production Engineering group's approximately 850 members in Japan and around 120 members outside Japan, in pursuing optimal production activities globally, proactive efforts are made in unison across the company in implementing the Toyota Production System (TPS) and participating in all activities to reduce costs by half.

## Results of efforts undertaken in fiscal 2012

During fiscal 2012, a focus was placed especially on building optimal global production and logistics structures. To solidify the foundation needed for achieving the next leap forward, a

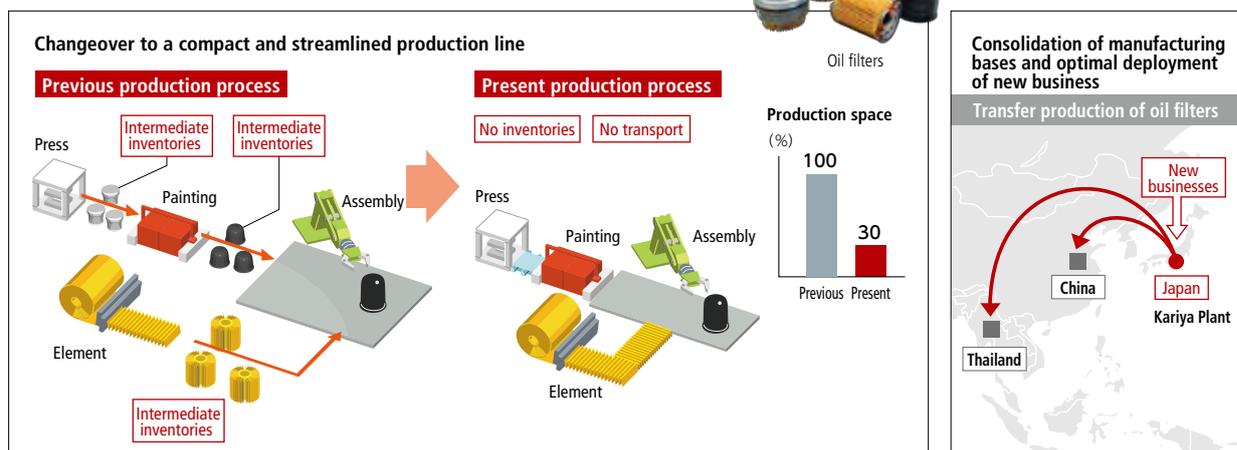
scenario was formulated for reorganising plants. Specifically, each production category such as seat assembly and component plants were separated and optimised while further streamlining existing processes.

"An excellent example of our streamlining is the consolidation of production processes for oil filters, which had been a widely discussed issue by RM&CH and Toyota Boshoku," says Masayuki Ota, Project General Manager of the Global Production Planning Department. "By achieving a significantly more compact and lean production process and concentrating production in regions outside Japan, we successfully reduced the number of oil filter manufacturing bases from three to two and can now use the newly created space for setting up our new businesses."

Besides this achievement, efforts to improve everyday work operations and collaborate in logistics have also yielded other major results. Describing one such achievement, Ota explains, "By using vacuum packing, we significantly reduced the volume of seat covers manufactured in Vietnam and this has also led to a large reduction in logistics costs." There are also numerous other similar examples of lessons that can be learned from production bases outside Japan. For instance, in September 2012, Toyota Boshoku Gateway (Thailand) (TBGT) earned the GOOD FACTORY Award sponsored by the Japan Management Association. TBGT was awarded this honour in recognition of production reforms achieved by consolidating and generalising production processes, which will enable TBGT to respond to scheduled large increases in production without having to expand its plant. In this manner, planning is being promoted while closely involving development, logistics and manufacturing functions. (Refer to page 31 for further details on the GOOD FACTORY Award.)

## Streamlining of existing plants

Upon achieving a significantly more compact production process for oil filters, production was shifted to regions outside Japan.





Department General Manager, Global Production Planning Department, Production Engineering Management Division  
**Kenichi Maeda**



Project General Manager, Global Production Planning Department, Production Engineering Management Division  
**Masayuki Ota**



Department General Manager, Production Engineering Management Department, Production Engineering Management Division  
**Masanobu Kaneko**

President's Interview

Special Features

Global Challenge

Social Activities

Environmental Activities

Facts & Figures

## Promoting production planning and human resources development from a global perspective

A key initiative for implementing future GNCB will be to efficiently supply products based on thinking that differs from traditional concepts of production systems and assembly plants.

"To raise cost competitiveness for each individual part," explains Ota, "we clearly segmentalised assembly plants and parts plants and will promote in-house manufacturing extending to raw materials. This will enable us to carry out integrated production as well as lower logistics costs and raise quality." The Global Production Planning Department will vigorously push ahead with these initiatives to respond quickly to the demands of European automakers, which tend to place numerous orders for single parts, and steadily secure profits.

Masanobu Kaneko, Department General Manager of the Production Engineering Management Department, describes some of the issues facing his department. "One of our major tasks is responding with strategies for securing necessary engineers and building a production engineering structure for realising our target of 1,600.0 billion yen in consolidated net sales by fiscal 2020. Promoting efficient capital investments globally is also extremely important. In this area, we are working to reduce capital investments by more effectively utilising our facilities globally, such as by transferring idle facilities or those with low utilisation rates to different regions. We must also cultivate human resources capable of undertaking production and manufacturing preparations in response to our ever-growing new business as well as establish global production engineering standards. Our current standards are still not adequate and we will persist with efforts to establish global production engineering standards. At the same time, we will actively promote global recruitment and the use of the intra-company transfer (ICT) system while further seeking to increase our organisational strengths."

## Looking towards fiscal 2020

With the aims of realising streamlined, highly efficient and high added-value manufacturing, in fiscal 2013 key emphasis will be placed on "quickly building global optimal procurement and production structures" and "promoting the globalisation of functions," with these efforts being spearheaded by the Production Engineering Management Division. This will include a number of tasks that must be attained such as proceeding with the global expansion of development methods and facilities and promoting local procurement in response to the global shift in production and the development of new businesses. Addressing the needs of each automaker in countries throughout the world and expanding business with existing customers requires responses looking at the total picture. Concurrently, the competitiveness of such principal components as seat frames, urethane pads, seat covers, filtration and powertrain components, door trims, headliners and floor carpets must be strengthened while also standardising service parts as we build our global supply structure.

"Advancing production technologies and existing product technologies are equally important," Maeda explains. "In our new customer business, however, there are in fact instances in which we are responding to individual customers while still learning. As we build experience we aim to steadily gain confidence by making reliable responses to our customers."

By applying the lessons learned in undertaking new business and deploying synergies from production technologies cultivated to the present, Toyota Boshoku aims to make further quantum leaps forward to realise the world's most advanced manufacturing and will provide optimal manufacturing to manufacturing bases around the world while continually undertaking optimal procurement and production globally and maintaining the highest levels of competitiveness.



Being meticulous about quality across the board



Promoting improvements through genchi-genbutsu (Go, see & study)

# A New Challenge— Expanding and Promoting GNCB

With the aim of securing business with automakers throughout the world, in June 2012 the GNCB Marketing & Sales Division and GNCB R&D Division were established within Toyota Boshoku. Marketing, Sales and Development functions will now work in unison to cultivate new business and carry out global collaboration with GNCB functions set up around the world, and make quick responses to expand GNCB.

## GNCB global structure

To secure new customer business globally, we must now contend in the same fields under the same conditions as our global competitors. Being a new entrant also means it will be necessary to undertake business activities in regions close to the respective headquarters of automakers active throughout the world. With this in mind, collaboration with various companies is being promoted throughout the Toyota Boshoku group. To respond to the needs of European automakers, for example, close relationships have been nurtured with Toyota Boshoku Europe and Boshoku Automotive Europe. Meanwhile, Toyota Boshoku America is responding to the requirements of automakers in the Americas, Toyota Boshoku (China) is targeting automakers in China and Toyota Boshoku Asia is focusing on automakers in ASEAN. Meanwhile, Toyota Boshoku makes daily business approaches to auto manufacturers in Japan.

Besides these initiatives undertaken locally in each region, at the Global Mainstay Hub approximately 27 members of the GNCB Marketing & Sales Division and around 80 in the GNCB R&D Division monitor trends in each geographic region, focus closely on customer demands and provide solid support for initiatives to secure new customers. Utilising a variety of approaches, such as by focusing on individual manufacturers or individual product lines, the Toyota Boshoku group's superb technological capabilities and its appealing products are stressed while steadily raising its competitiveness.

## First provide customers with an understanding of Toyota Boshoku

Regarding the current situation for new business, Hirofumi Nakamura, Division General Manager of the GNCB Marketing & Sales Division, notes: "It's absolutely essential to tailor sales activities and negotiating techniques to the characteristics of each region and automaker. For example, European and U.S. automakers generally tend to order individual seat constituent parts rather than fully assembled seats. Toyota Boshoku has traditionally competed on the basis of providing entire seats, but European automakers also implement policies of ordering just seat frames or covers. This means each individual component must be competitive and have product appeal. Also, proposal activities need to be carried out starting at

the initial stage of development." This is one of the main reasons for establishing the previously mentioned product responsibility system.

Nurturing relationships with new customers begins with building bonds of trust by providing customers with an understanding of the Toyota Boshoku group's capabilities, size and excellent human qualities of its members.

To foster such an understanding, technology exhibitions are held for various automakers along with product displays at local motor shows. In commenting on these exhibitions, Nakamura says: "In fiscal 2012, we held technology exhibitions six times and emphasised the appeal of Toyota Boshoku's new technologies and new products. We held these exhibitions at the headquarters of various automakers and also invited several hundred guests to the Sanage Development Centre. In 2013, we exhibited products for the first time at the Frankfurt Motor Show to demonstrate our technology strengths. We also invite key persons from automakers, mainly in Europe and the United States, to visit Japan to meet with our top management and familiarise them with manufacturing and our development structure. Such visits give these key persons a first-hand feel for the atmosphere and enthusiasm at Toyota Boshoku."

Even stronger bonds of trust will be built by continuing to introduce technology capabilities in this manner while ascertaining the needs of customers and making presentations tailored to target customers. This will provide customers with a deeper understanding of Toyota Boshoku, which in turn will enable even more detailed presentations.

## Achieving positive results and good responses

Since the start of Boshoku Automotive Europe in 2011, business approaches have been accelerated towards European automakers. Even deeper confidence in the Toyota Boshoku group is being garnered by steadily building on achievements that include the start of production in the Czech Republic at a new production base for serving European automakers.

In undertaking new business, however, there are constantly major obstacles never before encountered. "During the process that leads to orders, we've sometimes failed to respond quickly to

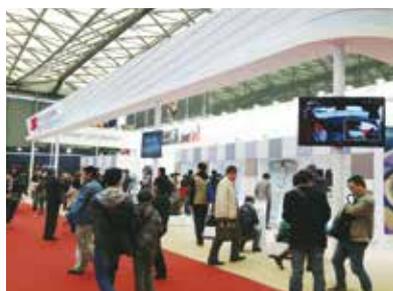


Exhibit at Auto Shanghai 2013



Technology exhibitions are held at various automakers.



New building for R&D centre currently under construction at Toyota Boshoku (China)



Division General Manager,  
GNCB R&D Division  
**Masahito Kanehara**



Division General Manager,  
GNCB Marketing & Sales Division  
**Hirofumi Nakamura**

customer requests because we've lacked an adequate understanding of customers' business practices and their ways of undertaking business," says Nakamura. "This includes the methods for selecting partners by competitive bidding for European and U.S. automakers and a misunderstanding of requirements in reading their request for quotation (RFQ)."

Masahito Kanehara, Division General Manager of the GNCB R&D Division, explains his own experiences. "We constantly faced strong demands for highly accurate cost estimates within a short time period." The accuracy and cost also change for different materials, technologies, production methods and processes. This means it is first necessary to closely assess and learn about the technologies of a customer and undertake the process of disassembling, examining and testing and evaluating their existing components. "We perform this process simultaneously both locally and at our Global Mainstay Hub and are currently accumulating data," Kanehara continues. "We've set up Benchmark Rooms in Japan as well as such countries as the United States, China and Thailand, as well as steadily strengthened our proposal capabilities."

Nakamura adds, "We're accumulating valuable experiences while learning, and I can sense we are achieving good responses by getting results." A number of obstacles have been surmounted within a short period of time and the first steps have finally been taken in implementing initiatives on a global scale.

### Striving for further expansion

As Toyota Boshoku's business fields dramatically expand, a number of key issues that must be addressed have become clearly evident. One such issue is ensuring that RFQ reliably lead to securing orders. Therefore, efforts will be undertaken to further strengthen Toyota Boshoku's technology capabilities and be recognised by automakers as their development partner.

"We've encountered some instances when development and production are considered separate functions," says Kanehara. "For this reason, I'd also like to be quickly recognised as a development partner of automakers and participate at the same planning table

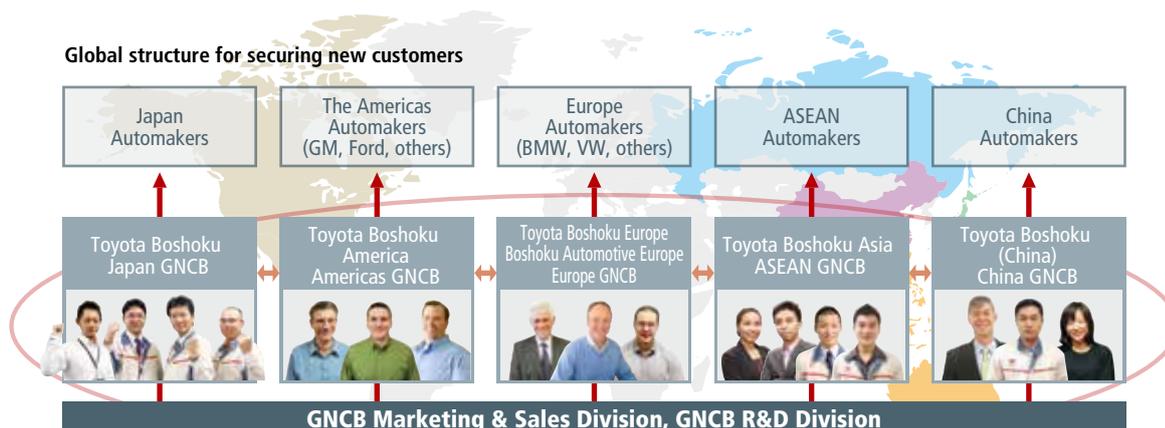


Benchmark Room (Toyota Boshoku Asia)

from the conceptual phase, which would help us open a lead over our competitors." To do so, along with actively selecting target vehicle types for which obtaining orders has been difficult, quickly gathering information on automakers' needs and developing and proposing highly appealing products is being carried out.

Another important issue is not merely increasing orders but ensuring that orders generate an appropriate level of profits. In addition, it is essential to launch production of ordered products on schedule to reliably generate profits. In expressing his aspirations, Nakamura says: "I'd like to earn some type of award if the quality of our products is recognised once production begins. I believe that earning a quality award or technology award would also help raise our brand strength and customer trust, which would lead to further business profits."

The GNCB Marketing & Sales Division and GNCB R&D Division are undertaking activities globally with an eye to the future. Although sometimes unsure of the different ways respective automaker undertake their business, the divisions are confident that they can utilise these new experiences and achievements in the next stages of development in existing business. The customers who ride in cars ultimately decide whether or not Toyota Boshoku's products are truly appealing. Providing products to the world that truly satisfy customers from their own perspectives will continue to be the group's corporate mission.



# Toyota Boshoku Gateway (Thailand) Wins GOOD FACTORY Award

TBGT

Toyota Boshoku Gateway (Thailand) (TBGT), based in Chachoengsao Province in Thailand, won the 2012 GOOD FACTORY Award. Sponsored by the Japan Management Association to strengthen the structure of the manufacturing industry in Japan, the awards are presented to Japanese-affiliated companies in Japan, China and Asia. The awards commend excellent factories that achieve results in carrying out corporate structural innovation activities such as raising productivity and quality in the four categories of manufacturing process innovation, human resources development for manufacturing, corporate social responsibility in manufacturing, and factory management.

## Responding to increased production without undergoing plant expansion

TBGT won the “*Monozukuri* (manufacturing) Process Innovation Award” based on the high acclaim received for comprehensively strengthening and improving quality and manufacturing processes. TBGT was highly commended for reforming “manufacturing processes” to build a production structure to meet demand for increased production by principal customers without having to undertake plant expansion.

As notable outcomes of its activities, TBGT innovated its manufacturing processes in accordance with target production volumes and control levels for each fiscal year by consolidating its five production lines into one line and generalising its processes. As a result, TBGT is progressing with manufacturing process innovations to the point of being able to respond to large increases in production with its existing floor space rather than having to expand its plant as originally planned.

## All local members play leading roles in reforms

The pillar of reforms at TBGT is self-study activities\* in which managers and team leaders participate. Under an annual plan, TBGT worked to raise the levels of TPS basic practical education as well as improvement capabilities of local leaders and regular staff members while all teams took on the challenge of trying to attain high targets. Activities were carried out on a daily basis.

Although activities were initially led by Japanese members,

\* Toyota Production System self-study meeting



GOOD FACTORY Award Ceremony

TBGT set up a training centre and repeatedly implemented drills and training that nurtured local members into leaders and all activities are now operated by local members.

TBGT is implementing even more finely tuned measures to cultivate a sense of solidarity among all members. For example, TBGT is working to foster good communications through activities that not only involve interaction among company members but also among their families. Moreover, top managers always take the lead regardless of the activities, thus providing members with encouragement.

TBGT started out in August 2007 with the aspiration of being the leading seat manufacturer in Thailand. The company will continue proactively carrying out improvement activities befitting the GOOD FACTORY Award.



Screening (explanation of newly installed automated sewing line)



TBGT members express their joy upon winning the award.

# Social Activities

Promoting Corporate Growth While Fulfilling Our Responsibilities as a Good Corporate Citizen



■ Report on CSR KPI	33
■ CSR Management	35
Together with Customers	40
Together with Company Members	42
Together with Shareholders and Investors	47
Together with Suppliers	48
Together with Global Society & Local Communities	50

The Toyota Boshoku group is working to build an enterprise that contributes to society and is promoting corporate growth while fulfilling our responsibilities as a good corporate citizen. We defined our commitment to stakeholders in our corporate philosophy and undertake business activities based on this commitment to fulfil our social responsibilities, with the aim of continuing to be trusted by customers, shareholders and all other stakeholders.

# Report on CSR Key Performance Indicators (KPI)

The Toyota Boshoku group has established its visionary goal under the 2020 Vision to be “a trusted company that grows together with all stakeholders” as our aspired image of “how we want to be viewed by society in 2020.” The Toyota Boshoku group is collectively carrying out social activities to realise this aspiration. Measures were taken in fiscal 2012 to review all initiatives from the perspective of the seven core subjects of ISO 26000 with the aim of enhancing the level of activities.

## Medium-term targets for social activities and fiscal 2012 summary and key issues for fiscal 2013

Sustainability theme	Mid-term targets	FY2012 action results	Self-assessment	FY2013 targets	Page		
CSR Management	Corporate governance	<ul style="list-style-type: none"> <li>• Maintain and improve governance system to ensure management transparency</li> </ul>	<ul style="list-style-type: none"> <li>• Held Board of Directors meetings (more than once/month)</li> <li>• Reviewed regulations concerning decision-making authority based on business globalisation and regional circumstances (once/year)</li> </ul>	○	<ul style="list-style-type: none"> <li>• Clarify meeting bodies needed for decision-making and build efficient meeting system</li> <li>• Strengthen global collaboration of management strategy functions</li> <li>• Review global regulations concerning decision-making (once/year)</li> </ul>	35	
		<ul style="list-style-type: none"> <li>• Improve and operate internal control system</li> <li>• Create global auditing system</li> </ul>	<ul style="list-style-type: none"> <li>• Developed guidelines regarding key points for promoting internal controls</li> <li>• Regularly reviewed and assessed governance process of organisation (Verified using a check sheet and implemented improvements)</li> </ul>	○	<ul style="list-style-type: none"> <li>• Refine auditing items suited to standard auditing items and respective workplaces</li> <li>• Implement monitoring regarding control activities in operations</li> </ul>	35	
	Compliance	Thorough compliance awareness	<ul style="list-style-type: none"> <li>• Firmly establish a system and structure that enables observance of compliance globally</li> </ul>	<ul style="list-style-type: none"> <li>• Formulated Global Compliance Programme (GCP)</li> <li>• Improved lists of legal risks globally</li> <li>• Enhanced global compliance training</li> <li>• Improved internal response to antitrust laws</li> </ul>	○	<ul style="list-style-type: none"> <li>• Promote regional CSR activities based on GCP</li> <li>• Implement training on laws and regulations tailored to respective regions</li> <li>• Promote the participation in Corporate Ethics Reinforcement Month by all members company-wide</li> </ul>	36
		Compliance with laws and regulations and awareness raising	<ul style="list-style-type: none"> <li>• Improve global compliance system and continuously promote zero law violations</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented antitrust law training session (Target: Managerial-rank positions of all departments and all members of the sales group)</li> <li>• Held training for Export Compliance Promotion Committee members and training course by grade (12 times/year; total of 600 people took part)</li> </ul>	○	<ul style="list-style-type: none"> <li>• Implement training on compliance with antitrust laws and on anticorruption laws in each region (more than once/year)</li> <li>• Implement training for Export Compliance Promotion Committee members and training course by grade (more than 12 times/year)</li> </ul>	37
		Intellectual property management	<ul style="list-style-type: none"> <li>• Improve global intellectual property management system</li> </ul>	<ul style="list-style-type: none"> <li>• Started building a structure for utilising intellectual property rights of overall group (Established regulations for handling inventions at RM&amp;CH and developed patent application management system)</li> <li>• Thoroughly promoted patent guarantee activities that do not violate other companies' patents in terms of development (implemented for all new vehicle models and full model change vehicles)</li> </ul>	○	<ul style="list-style-type: none"> <li>• Put into practice the regulations for handling inventions at RM&amp;CH</li> <li>• Develop patent application management system and patent assurance system at RM&amp;CH</li> </ul>	38
		Confidentiality and information security management	<ul style="list-style-type: none"> <li>• Strengthen confidentiality management at a global level</li> </ul>	<ul style="list-style-type: none"> <li>• Reviewed and strengthened Japan affiliates' confidentiality management system</li> </ul>	○	<ul style="list-style-type: none"> <li>• Review and strengthen confidentiality management system at a global level (check basic items of confidentiality management)</li> </ul>	38
	<ul style="list-style-type: none"> <li>• Enhance global security level</li> </ul>		<ul style="list-style-type: none"> <li>• Strengthened awareness-raising activities based on the All Toyota Security Guidelines (ATSG)</li> </ul>	○	<ul style="list-style-type: none"> <li>• Observe ATSG</li> </ul>	38	
	Together with customers	Thorough reinforcement of risk management	<ul style="list-style-type: none"> <li>• Reinforce risk management on a global level</li> </ul>	<ul style="list-style-type: none"> <li>• Formulated initial-response BCP*1</li> <li>• Clarified and reviewed disaster-mitigation countermeasures in response to a major natural disaster in respective regions</li> </ul>	○	<ul style="list-style-type: none"> <li>• Formulate production restoration BCP</li> <li>• Refine initial-response BCP</li> <li>• Strengthen the level of disaster-mitigation countermeasures</li> </ul>	39
		Promoting education, training and awareness-raising activities for quality	<ul style="list-style-type: none"> <li>• Secure quality assurance professional personnel who are capable of assuming their roles globally</li> <li>• Promote global quality control (QC) activities and enhance educational system</li> </ul>	<ul style="list-style-type: none"> <li>• Clarified required skills of personnel sent to regions outside Japan and implemented quality education in the Quality Improvement Corporate Division</li> </ul>	△	<ul style="list-style-type: none"> <li>• Develop professional personnel in quality over the short term</li> <li>• Based on quality education system, consolidate quality education through mutual attendance of respective design, production engineering and quality divisions</li> </ul>	40
		Enhance and strengthen quality assurance system	<ul style="list-style-type: none"> <li>• Establish global quality assurance system</li> </ul>	<ul style="list-style-type: none"> <li>• Built quality control system (AQUILES)</li> </ul>	○	<ul style="list-style-type: none"> <li>• Effectively utilise and firmly establish AQUILES</li> <li>• Improve AQUILES to realise global expansion</li> </ul>	—
<ul style="list-style-type: none"> <li>• Sanage Plant and Tsuchihashi Plant completed the acquisition of TS 16949 certification (January 2013)</li> <li>• TBAI Poland and Guangzhou Intex Auto Parts completed investigation and scheduled to obtain the certification by July</li> </ul>	○			<ul style="list-style-type: none"> <li>• Consolidate global TS 16949 acquisition plan and follow up on progress</li> <li>• Develop a system for sharing the skills of internal auditors and identified problems</li> </ul>	40		
Deployment of quality-related activities	<ul style="list-style-type: none"> <li>• Significantly reduce products with defects delivered and delivery complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Activities to reduce defects of outsourced direct delivery products (10 worst companies)</li> <li>• Fundamentally improved quality in North America through the North America Quality Improvement Committee (4 times/year)</li> <li>• Thoroughly considered and standardised measures responding to defects delivered through the audit improvement technology conference (Completed standardisation of 10 cases)</li> <li>• Clarified points to prevent recurrence via quality news reports and implemented cross development at all plants (Issued quality news reports 16 times/year)</li> </ul>	△	<ul style="list-style-type: none"> <li>• Establish personnel in charge of business partners at Toyota Boshoku, expand initiatives to 20 worst companies and strengthen quality target achievement activities</li> <li>• Clarify where responsibility lies for development and guidance responding to “safety, quality and production” with the establishment of parent factory</li> <li>• Promote and quickly standardise measures responding to defects delivered through the audit improvement technology conference</li> <li>• Accelerate and firmly establish the issuance of quality news reports</li> </ul>	41		

\*1 Business Continuity Plan

(Assessment ◎: Exceeded targets ○: Achieved △: Partially achieved ×: Not achieved)

Sustainability theme	Mid-term targets	FY2012 action results	Self-assessment	FY2013 targets	Page	
Together with company members	Full respect for human rights	<ul style="list-style-type: none"> <li>Reinforce respect for human rights training</li> </ul>	<ul style="list-style-type: none"> <li>Implemented training to raise awareness of human rights for Toyota Boshoku members who were promoted (265 persons participated) and new hires (108 persons).</li> </ul>	○	<ul style="list-style-type: none"> <li>Conduct ongoing implementation of respect for human rights training</li> </ul>	42
	Respecting diversity	<ul style="list-style-type: none"> <li>Enhance reemployment system</li> <li>Promote active employment of global human resources</li> </ul>	<ul style="list-style-type: none"> <li>Rehired retired members as professional staff and skilled staff</li> <li>Actively recruited people of different nationalities besides Japanese to join Toyota Boshoku as members</li> <li>Globally developed education programmes by introducing mentor system</li> <li>Actively employed persons with disabilities (statutory employment ratio of 1.8% or higher)</li> </ul>	○	<ul style="list-style-type: none"> <li>Rehire retired members (all members who wish to be rehired)</li> <li>Actively hire people of different nationalities besides Japanese to join Toyota Boshoku as members</li> <li>Achieve new statutory employment ratio of 2.0% for persons with disabilities</li> </ul>	42
	Promotion of human resources development	<ul style="list-style-type: none"> <li>Globally expand human resources development</li> <li>Develop personnel system and training programmes for nurturing Toyota Boshoku Global Leaders (TBGL)</li> </ul>	<ul style="list-style-type: none"> <li>Implemented Master Trainer Programme (12 people participated) and expanded to respective regions in the world</li> <li>Actively promoted personnel exchanges between regions through the intra-company transfer (ICT) system, trainee system, etc. (ICT: 28 persons; trainee system: 41 persons)</li> <li>Held All TB Skills Competition (a total of 154 people took part from all over the world in 13 competitions across 11 categories.)</li> <li>Reinforced technical-related training (newly started "training for strong management and leadership")</li> <li>Began developing a system for nurturing TBGL</li> </ul>	○	<ul style="list-style-type: none"> <li>Continuously implement Master Trainer Programme</li> <li>Expand members utilising ICT and trainee systems (ICT: 50 persons; trainee system: 50 persons)</li> <li>Enhance All TB Skills Competition</li> <li>Reinforce technical-related training (including reinforcement of robot maintenance course)</li> <li>Develop and firmly establish a system for nurturing TBGL</li> <li>Newly establish training programmes worldwide</li> </ul>	43
	Promoting safety and health and health building	<ul style="list-style-type: none"> <li>Create global management in terms of safety and health activities</li> <li>Promote the development of physical and mental health</li> </ul>	<ul style="list-style-type: none"> <li>Commenced global operation of Occupational Safety &amp; Health Management System (OSHMS)</li> <li>Expanded the establishment of Anzen Dojo (Achieved 100% group-wide establishment ratio)</li> <li>A total of 9,834 people passed the Anzen Dojo exam of basic conduct throughout the group</li> <li>1,159 people participated from throughout the group in skills training at the Anzen Taikan Dojo (Simulated Accident Dojo) in Japan</li> <li>Newly established Anzen Taikan Dojo outside Japan</li> <li>Established and put into practice the safety and health management standard for construction and operation manual for construction work outside Japan</li> </ul>	○	<ul style="list-style-type: none"> <li>Implement safety inspections by top management with an emphasis on STOP6*2 (create a workplace in which major accidents do not occur under any circumstances)</li> <li>Newly establish Anzen Dojo at new production entities (maintain 100% group-wide establishment ratio)</li> <li>Improve the implementation of Behavior-Based Safety by utilising Anzen Dojo (pedestrians crossings, pointing and calling, stair handrails, prohibiting hands in one's pockets). Achieve 100% implementation ratio.</li> <li>Improve workplace environment corresponding to special health checks (Achieve target to address medical issues)</li> </ul>	45
			<ul style="list-style-type: none"> <li>Unable to achieve the reduction target of company members taking leave due to mental reasons (increased 4% versus previous year)</li> <li>Unable to achieve the reduction target of employees with improved health checkup results (reduced 0.4% versus previous year)</li> </ul>	△	<ul style="list-style-type: none"> <li>Reduce company members taking leave due to mental reasons (10% reduction versus previous year)</li> <li>Encourage employees to make efforts to improve regular health checkup results (Achieve target to address medical issues)</li> </ul>	46
Together with shareholders and investors	<ul style="list-style-type: none"> <li>Enhancing corporate value and reinforcing information disclosure</li> <li>Develop a stable shareholder base through proactive investor relation activities</li> </ul>	<ul style="list-style-type: none"> <li>Implemented timely disclosure of corporate and financial information according to laws and regulations</li> </ul>	○	<ul style="list-style-type: none"> <li>Steadily implement timely disclosure according to laws and regulations</li> </ul>	47	
		<ul style="list-style-type: none"> <li>Implemented investor relations financial results briefings (twice/year)</li> <li>Enhanced dissemination of information via website (established websites in five regions)</li> <li>Implemented plant tours for individual shareholders (3 times/year)</li> </ul>	○	<ul style="list-style-type: none"> <li>Implement financial results briefings, individual visits to investors and small meetings</li> <li>Implement plant tours for individual shareholders (3 times/year)</li> </ul>	47	
Together with suppliers	<ul style="list-style-type: none"> <li>Practicing open, fair and transparent business dealings and implementation of CSR activities in supply chain</li> <li>Creation of a global procurement system</li> </ul>	<ul style="list-style-type: none"> <li>Globally develop basic procurement policy</li> <li>Expand and permeate the Toyota Boshoku supplier CSR guidelines to global suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Continued to practice basic procurement policy</li> <li>Introduced basic procurement policy via website for Europe &amp; Africa region</li> <li>Expanded initiatives regarding legal compliance matters to suppliers (prohibition of illegal employment of foreign citizens, confidentiality)</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue to practice basic procurement policy</li> <li>Develop CSR guidelines for the supply chains of respective suppliers</li> <li>Promote procurement activities that give considerations to human rights and the environment (initiatives for conflict minerals)</li> </ul>	48
		<ul style="list-style-type: none"> <li>Strengthen global procurement capability and procurement foundation</li> </ul>	<ul style="list-style-type: none"> <li>Implemented General Meeting of Global Suppliers</li> <li>Developed system of global cost benchmarks</li> </ul>	○	<ul style="list-style-type: none"> <li>Continuously implement General Meeting of Global Suppliers</li> <li>Develop system of global cost benchmarks (promote system development)</li> <li>Strengthen global SPTT*3 activities</li> </ul>	49
Together with global society & local communities	<ul style="list-style-type: none"> <li>Promote global social contribution activities rooted in regions by respecting cultures and customs of respective regions and countries</li> </ul>	<ul style="list-style-type: none"> <li>Actively promoted global reforestation activities and unique programmes</li> <li>Strengthened cooperation with respective organisations (United Nations World Food Programme, TABLE FOR TWO, PLAN, Japan Platform, etc.)</li> </ul>	○	<ul style="list-style-type: none"> <li>Promote activities that will steadily respond to local needs</li> <li>Implement according to plan and expand activities</li> <li>Promote activities in cooperation with international activity organisations</li> </ul>	50	

\*2 S: Safety T: Toyota O: 0 (Zero Accident) P: Project G: 6 items (following 6 items from A to F)

A: Being caught and pulled in equipment B: Contact with heavy objects C: Contact with vehicles D: Falling E: Electrocuton F: Contact with heated objects

\*3 Supplier Parts Tracking Team: Team carries out follow-up activities for outsourced production and manufacturing preparation.

The Toyota Boshoku group is working to further enhance corporate governance through respecting international behavioural rules in compliance with laws, regulations and ethics in order to carry out sustainable business activities and meet the expectations and earn the confidence of all stakeholders.

## Fundamentals of CSR activities

The Toyota Boshoku group designates such matters as accountability, transparency, respect for stakeholders' interests, respect for the rule of law, respect for various international codes of conduct and respect for human rights as the fundamentals of corporate social responsibility (CSR) activities based on our corporate

philosophy, the TB Way and the Toyota Boshoku group code of conduct. On this basis, measures are taken to enhance CSR through various definable aspects of corporate activities. Additionally, our global CSR Committee promotes CSR activities around the world by formulating policies for group-wide CSR efforts, developing activities, following up on their progress and deliberating on and evaluating priority action items for implementation.

Global CSR promotion system



## Corporate governance

We are working to strengthen corporate governance to enhance the corporate value of the Toyota Boshoku group and ensure highly sound, transparent and efficient management.

### Corporate governance system

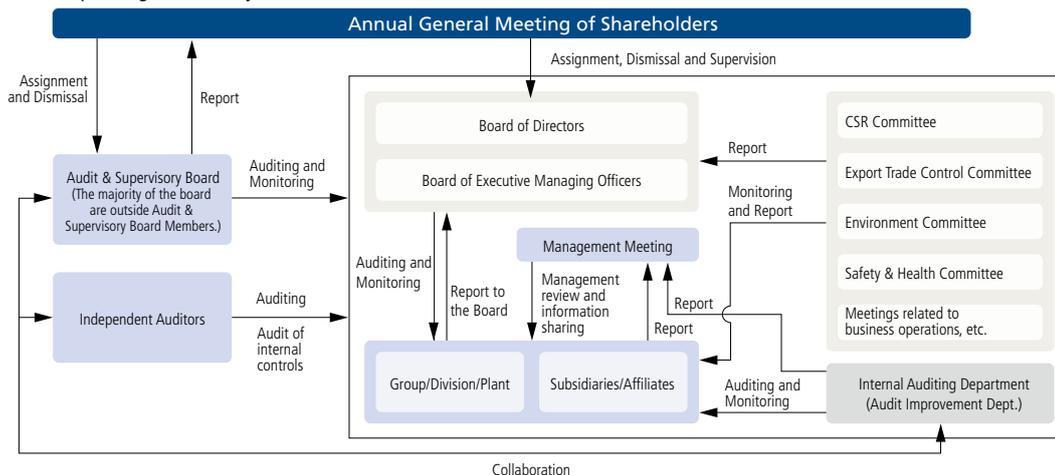
The Board of Directors holds meetings at least once a month to decide on important management issues, such as policies for the fiscal year, project plans and investment in facilities, while also monitoring conditions related to the implementation of operations.

The Company currently utilises an Audit & Supervisory Board system. Five Audit & Supervisory Board Members (includes three outside Audit & Supervisory Board Members, two of whom are designated as outside auditors appointed by the stock exchanges) attend key company meetings in accordance with audit procedures

and plans formulated by the Audit & Supervisory Board. They also conduct audit hearings and visiting audits as well as monitor the execution of operations of directors and the administration and the status of financial affairs of the group's subsidiaries. The Company has established a post dedicated to internal auditing as well. Toyota Boshoku also has introduced an executive officer system separating executive roles into management decision-making and execution of operations with the objective of improving management efficiency and strengthening the supervision functions required in executing operations.

In fiscal 2012, the Company strived to build a governance system appropriate to the globalisation of business by reviewing rules related to global approval directed towards realising swift decision-making and regional autonomy. Going forward, the Company will further clarify meeting bodies that are necessary for making decisions.

Corporate governance system



## Current status of internal controls

The Toyota Boshoku group established the TB Way, which clearly expresses the group's values, stance and actions towards fostering a sound corporate culture. It also ensures thorough adherence to the Toyota Boshoku group code of conduct—the mindset of company members in performing their duties—through various educational programmes for members.

In addition, self-inspections are conducted on the status of internal controls via a checklist in order to regularly review and assess organisational governance processes, and the respective internal auditing departments are working to prevent inappropriate behaviour and mistakes at all our global locations by conducting audits at Toyota Boshoku divisions, plants, subsidiaries and affiliates. Audit results are reported to top executives. The departments also receive advice from and cooperate with Audit & Supervisory Board Members in conducting auditing activities.

## Enhancing disclosure

The Toyota Boshoku group is committed to disclosing information required by shareholders, investors, business partners and local communities in a timely and appropriate manner as well as to carrying out public information-sharing activities that earn the trust of society. This is stated in the Toyota Boshoku group code of conduct, which was formulated by the CSR Committee as a guide for the behaviour of the company and its members. Based on this, Toyota Boshoku's External Affairs & Public Relations Division, Accounting & Finance Division and Legal Division have formed an information management department for the strict management of corporate information and disclosure of information in an accurate, timely and fair manner.

## Compliance

**Legal and regulatory compliance as well as completely fair and transparent corporate activities are needed to earn and maintain the trust of society as a good corporate citizen. To that end, as a good corporate citizen, it is essential that fair and transparent corporate behaviour is thoroughly promoted by observing human rights, fair competition, prevention of environmental degradation and compliance with international codes of conduct related to such aspects as community participation as well as with the laws and regulations of respective countries and regions.**

**Toyota Boshoku has declared our corporate philosophy as "promoting corporate growth while fulfilling our responsibilities as a good corporate citizen." As we undertake business activities around the world, we instruct members throughout the entire group to conduct themselves using good judgment.**

## Thorough compliance awareness

In keeping with the image of what the Toyota Boshoku group aspires to be, which is based on our activities up until now, we have formulated the Global Compliance Programme (GCP) in fiscal 2011, thereby clarifying the definition of compliance, promotion system, activity details and targets of the Toyota Boshoku group. In fiscal 2012, Japan affiliates and regional entities outside Japan worked to clarify issues in accordance with the GCP and reinforced global activities. In fiscal 2013, we will further reinforce our global activities based on regional characteristics.

### TB Voice



#### Aiming to enhance compliance awareness

**Kelly Schleker**  
Toyota Boshoku America (TBA)  
Person in charge of CSR in The Americas region

TBA conducts training and awareness-raising activities to deepen understanding of the TB Way and code of conduct.

In fiscal 2012, we expanded the TBA code of conduct by translating it into Spanish and Portuguese. During Corporate Ethics Reinforcement Month, nearly 6,000 team members from the TBA group discussed the problems, morals and rules at workplaces. By doing so, we identified our strengths and weaknesses and considered relevant measures to be taken.

Based on recent changes in the social environment in which companies are increasingly utilising SNS\* as a communication tool throughout the world, we also hope to take efforts towards responding to SNS in fiscal 2013.

\*Social Networking Service

## Global development of legal risks

Toyota Boshoku is clarifying legal risks with regard to specific legal matters that need to be complied with as they relate to the various activities of the group. Based on this, efforts are being made to review and evaluate legal matters, correct areas of inadequacy and enhance compliance.

Japan affiliates and entities outside Japan are also working to prevent compliance violations by creating a list of legal risks according to laws and regulations in accordance with the characteristics of respective businesses and regions.

## Considerations for human rights

Measures regarding basic matters such as respect for human rights have become essential in conjunction with the expansion of global business activities. In addition to adhering to laws and regulations as a matter of course, companies are expected to co-exist with local communities by respecting various cultures and values as well as individuality. At the Toyota Boshoku group, we are working to raise members' awareness through various training related to our corporate philosophy and monthly activities.

## Compliance with laws and regulations and awareness raising

The Toyota Boshoku group globally promotes training on laws and regulations and awareness-raising activities in order to thoroughly comply with respective types of laws and regulations related to our businesses.

### Compliance with antitrust laws

Understanding and complying with the antitrust laws of respective countries are particularly important in carrying out global business activities. To this end, in fiscal 2012 Toyota Boshoku established the Company Policy on Antitrust Law in which we clearly declared that the Company will not tolerate any behaviour violating antitrust laws and company members will not commit any violations. Additionally, we also formulated the Antitrust Law Compliance Rules with an emphasis on rules in terms of contacting competitor companies, thereby improving the system to prevent violations from occurring.

We also created the Antitrust Law Compliance Manual focused on case studies. Training was conducted for managerial-rank positions of all departments and all members of the sales divisions, thereby deepening the understanding of more than 700 members regarding Toyota Boshoku's stance towards antitrust laws and cautionary points in conducting business operations.

Training is also carried out at Japan affiliates and affiliates outside Japan to promote understanding of antitrust laws and compliance measures.



Training on antitrust laws (Toyota Boshoku)

### Thoroughgoing export control

The Toyota Boshoku group promotes activities in line with the Export Compliance Programme (Export CP) in order to appropriately implement security export control aimed at maintaining international peace and safety.

During fiscal 2012, we have modified and strengthened our control system together with implementing self-inspections and improvements at all departments of Toyota Boshoku using a check sheet to ensure appropriate operations. Also, training for Export Compliance Promotion Committee members and training courses by grade were held 12 times, in which a total of 600 people took part.

### Initiatives regarding Corporate Ethics Reinforcement Month

We are continuously promoting Toyota Boshoku group Corporate Ethics Reinforcement Month every year on a global basis, during



Workplace discussion (TB Engineering)



Study meeting on code of conduct (Toyota Boshoku Turkey)

which company members pursue the enhancement of ethics awareness through various initiatives such as confirming the basic principles and reviewing members' behaviour internally and externally.

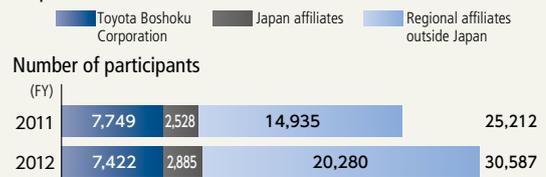
In fiscal 2012, workplace discussions regarding comfortable workplaces and morals and rules, self-inspections at workplaces regarding the TB Way and the implementation of action guidelines and other relevant initiatives were conducted in November. Japan affiliates and regional entities outside Japan also actively carried out activities during the month such as holding study meetings on the code of conduct.

### Number of participants of workplace discussions

[FY2012 results]  
30,587 persons

[FY2011 results]  
25,212 persons

### Status of initiatives regarding workplace discussions during Corporate Ethics Reinforcement Month



### Education and awareness raising

The Toyota Boshoku group is working to conduct various educational sessions and disseminate information related to compliance, including specific laws and regulations.

Training courses by grade are conducted for company members, including new hires and members who were promoted, to ensure every member can acquire the necessary knowledge regarding compliance. A total of 727 people took part in this training in fiscal 2012. Additionally, we have implemented training required for executive officers and Japan affiliates as well as training on different legal issues to promote the permeation of compliance.

In fiscal 2013, we will carry out various initiatives such as group-wide training activities, including Japan affiliates and affiliates outside Japan, based on antitrust laws and anticorruption laws as key themes.

### Improving consultation and reporting contacts

The Anything Goes Counseling Office has been set up internally as well as a reporting contact at a designated law firm externally to establish an environment in which members can easily seek advice. Members can seek consultation or report issues concerning such matters as workplace problems, legal violations and internal misconduct.

Initiatives are also being pursued to establish reporting contacts at Japan affiliates and regional entities outside Japan in order to develop a global system.

## Intellectual property management

The Toyota Boshoku group respects the intellectual property of third parties and appropriately values its own intellectual property, which is viewed as a key management asset essential for global business development. We continuously work to enhance the protection and utilisation of our intellectual property.

### Aiming to strengthen patent application system

Toyota Boshoku promotes initiatives to increase the number of patent applications befitting the scale of business as well as their quality. In this respect, we are working to boost motivation towards the creation of inventions as well as vitalise application activities through managing targets for the number of patent applications by each technical division, in-house training and the patent compensation system, as well as patent application support activities from the intellectual property department. Particularly in recent years, we are not only promoting application activities in Europe and the United States but also in the China region and emerging countries in response to the globalisation of business activities. As a result, thanks to active application initiatives, patent applications in regions outside Japan increased approximately 1.6 times compared with the previous fiscal year to 124 cases in fiscal 2012.

Number of patent applications (excluding Japan)

[FY2012 results]

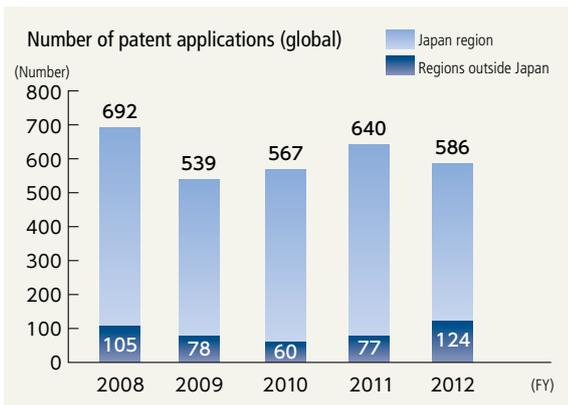
124 cases

[FY2011 results]

77 cases

In order to protect our intellectual property rights and prevent infringement of other companies' rights, in addition to enlightenment through intellectual property education and infringement detection efforts, we also incorporated patent assurance activities into project development processes as a means of promoting initiatives to prevent the infringement of other companies' rights by project.

Furthermore, in tandem with promoting global development, in fiscal 2012 we began to establish regulations for handling inventions by each Regional Management & Collaboration Hub (RM&CH) base and build a patent application management system



at each base directed towards setting up a structure for effectively utilising the group's intellectual property rights on a global basis.

In fiscal 2013, we will put respective regulations into practice and promote activities towards quickly realising the independence of the management systems at respective bases.

## Confidentiality and information security management

The Toyota Boshoku group considers the appropriate management of confidential information to be an important element of our business activities. We seek optimal systems and frameworks for managing confidential information in order to pursue sound corporate activities.

### Strengthening organisation for security and enhancing basic conduct

The Toyota Boshoku group established the Risk Management Working Committee as a sub-organisation of the CSR Committee to create a global confidentiality management system. The General Administration Division, which consists of respective functional divisions, and the Technical Administration, Production Engineering Management, Production Control and IT Promotion divisions cooperate to conduct confidentiality and information security management.

In fiscal 2013, the Toyota Boshoku group will undertake collective efforts to increase members' awareness of confidentiality and enhance the level of the confidentiality management system.



Spot check during the month of augmenting confidentiality management (Toyota Boshoku Kyushu)

## Thorough Reinforcement of Risk Management

The Toyota Boshoku group is working to comprehensively reinforce risk management via the creation of an effective risk management system in order to respond swiftly to management risk, risk in daily operations and other risks such as disasters and accidents.

### Basic risk management policy

- 1 Endeavour to predict and prevent crises
- 2 Give maximum priority to assuring the safety of human life should a crisis occur
- 3 Should a crisis occur, centralise information and promptly investigate the cause, respond appropriately and minimise damage
- 4 In case of significant social damage or impact, release information promptly in good faith

## Risk management system

The Toyota Boshoku group is striving to predict and prevent incidents, centred on the Risk Management Working Committee, and promoting activities to minimise the impact should a crisis occur. The committee controls risk-related matters at the functional divisions of Toyota Boshoku, as well as other group companies in different regions, and is working to enhance risk management on a global basis. (See page 35 for a diagram of the global CSR promotion system.)

### TB Voice



#### Carrying out activities with a desire to protect people in Thailand

**Pichet Prasertangkoon**  
Toyota Boshoku Asia (TBAS)  
Person in charge of risk management in Asia & Oceania region

The flooding in Thailand that occurred in 2011 caused major damage in which millions of people lost their houses. Although TBAS did not incur significant damage, members' awareness towards risks was heightened.

Subsequently, TBAS established an emergency operations centre and improved its information-gathering system, including the state of damage should a crisis occur. Satellite equipment was also put in place to ensure contact can be made with respective Toyota Boshoku group companies even when communication failure occurs.

Every morning at 5:00 am, I measure the water level of the river surrounding a 5km area of the company and am reporting risks. I hope to continuously promote activities not only to fulfil my responsibility as a person in charge of TBAS risk management but also with the mindset of protecting all people living in Thailand.

## Enhancing risk management

The Toyota Boshoku group clarifies preventive measures and ways to handle incidents if they occur in the Crisis Management Regulations and the Crisis Management Guidebook. Detailed self-evaluations are repeatedly conducted at each site to develop adequate emergency and evacuation drills. Problem areas are reviewed and focus is placed on creating a system to minimise risk in times of emergency.

During fiscal 2012, we have formulated an initial-response business continuity plan (BCP) on the assumption of a major disaster. This plan consists of measures to quickly recover our businesses as the social mission of the Toyota Boshoku group even in cases in which a major disaster occurs. Based on the basic policies of humanitarian support (placing the highest priority on people's lives), swift recovery of disaster-affected areas, company operations and production restoration, the aim of this plan is to realise goals such as zero casualties during operations and zero suspension of production at delivery destinations caused by the company. We will continue to review and update this plan on a regular basis according to changes in the social environment.

## Establishment of Emergency Operation Centre

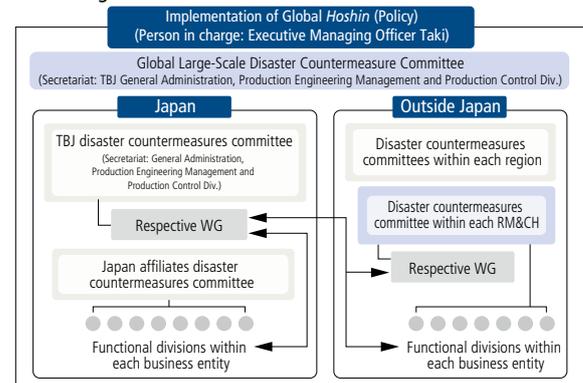
The Toyota Boshoku group is globally promoting the establishment of the Emergency Operation Centre (EOC) as the base for an emergency task force to quickly carry out activities in the event of a major disaster. The centre is equipped with facilities that include emergency telecommunication equipment, a television conference system and private power generator inside a building with a seismic-resistant structure, which makes it easier to gather information, including the status of damage should a crisis occur. In the future, the centre will collaborate with respective companies of the Toyota Boshoku group and the supply chain.

## Establishment of Global Large-Scale Disaster Countermeasure Committee

Toyota Boshoku has established the Large-Scale Disaster Countermeasure Committee, chaired by the president, in order to strengthen aspects of disaster prevention and reinforce the structure from the initial response system when a crisis occurs to restoring production and respective functions.

In March 2013, the Company established the Global Large-Scale Disaster Countermeasure Committee in order to strengthen the crisis management system throughout the group by further deepening cooperation of the Global Mainstay Hub functions with RM&CH in respective regions. A global system was also developed from initial response to production restoration in emergency situations.

### Global Large-Scale Disaster Countermeasure Committee



## Enhancing information telecommunication system in case of an emergency

The Toyota Boshoku Group has an emergency communication network in place by connecting global bases using satellite telephones and other communication devices. In doing so, the Toyota Boshoku group has established a system that is capable of quickly gathering information and communicating information in emergency situations when land lines and cell phones are not available immediately after an incident occurs. In fiscal 2012, we completed setting up satellite phones at nearly all entities in The Americas region.

# Together with Customers

## Promoting education, training and awareness-raising activities for quality

In order to ensure the safety and quality of our products, the Toyota Boshoku group has reconfirmed the fundamentals of quality assurance in the three areas shown below in accordance with its quality function policy and is working on various quality assurance related activities.

- 1 Devise technical drawings that factor in quality
- 2 Create a process that guarantees the quality of drawings
- 3 Enhance quality in daily manufacturing operations

In order to ensure optimal quality assurance, it is important for each and every company member to implement the concept of *Jikotei-kanketsu* (all processes in-house). This refers to deciding on what is normal and abnormal individually and one's own behaviour. The Toyota Boshoku group conducted *Jikotei-kanketsu* activities not only within the production section but also to share and permeate the concept with development and production preparation members and to carry out *kaizen* (continuous improvement). We promote "activities for each step from start to finish" in order to develop products with world-class performance.

## Enhance and strengthen quality assurance system

On the basis of securing the safety of customers and with the aim of satisfying customers around the world and delivering products that inspire, the Quality Assurance Division and Quality Control Division of the Quality Improvement Corporate Division have joined forces to enhance the quality assurance system for the Toyota Boshoku group.

## Reinforcing our global quality assurance system

The Toyota Boshoku group is working to strengthen our quality assurance system in parallel with global business expansion.

First, at quality function meetings, global policy related to quality management is formulated and key issues are discussed and followed up on while determining the quality policy of each region and its implementation status. Information is shared at the global level to enable effective quality-related measures. Additionally, the Company is cooperating through quality function meetings held at each RM&CH to ascertain the status of quality for respective regions and deploy initiatives towards achieving targets.

The Toyota Boshoku group operates the Toyota Boshoku Global Quality Information Management System to support global quality

The Toyota Boshoku group considers that the responsibility of a company engaged in manufacturing is to provide customers with products that can be used with peace of mind. On this basis, we are placing the highest priority on safety and quality in all stages including design, manufacturing and sales.

control. In addition to quickly providing appropriate quality-related information to personnel requiring such information, this system also visualises the status of initiatives conducted by respective departments and provides appropriate feedback to the Quality Assurance Division. Currently, the system is being utilised globally including by suppliers in Japan.



## Expansion of ISO/TS 16949 certification

The Toyota Boshoku group promotes acquisition of ISO/TS 16949 certification to meet the requirements of many automakers worldwide, including in Europe and the United States. In order to prevent deficiencies in the supply chain, the group has obtained this certification at five plants in Japan and 28 regional entities around the world.

ISO/TS 16949 certified entities

[FY2012 results]

28 companies

[FY2011 results]

24 companies

## Deployment of quality-related activities

The Toyota Boshoku group deploys quality-related activities from the perspective of people who drive cars as well as automakers.

### Prevention of significant quality issues

To prevent major quality deficiencies and claims in automobile manufacturing components that could lead to an accident or fire, we conduct what are known as 5N activities for all parts earmarked for commercialisation. With 5N activities, we identify areas that are either new or have been modified in the design of a new product from five perspectives: new structure, new materials, new manufacturing method, new processing and new application. This approach helps to eliminate any deficiencies in advance. For instance, if a totally new material is slated for use in the design of a new product, it is set and registered as a product subject to 5N activities. Development, product technology, procurement and quality divisions then work together to prevent deficiencies in key areas of quality through evaluation and verification activities. The implementation status of 5N activities is evaluated at a production transfer meeting held at each stage. Products for which these activities have not been completed do not make it to market.

### Design and process development to prevent defects in products

The Toyota Boshoku group is undertaking efforts on a daily basis in design and process development to prevent defects in products. During fiscal 2012, we have strengthened measures to prevent initial defects and outflows such as reinforcing major control suppliers and establishing personnel in charge of these suppliers. Measures were also taken to verify the status of implementation of special inspections at business partners along with randomly checking products and carrying out improvement guidance for



Monthly meeting on quality

defects in processes. As a result, the annual target for reducing the number of defects was achieved by approximately 40% compared with fiscal 2011.

### Swift discovery and response to defects in products in the market

Toyota Boshoku promotes activities aimed at swift discovery and response to serious defects in products in the market. Defects with a high propensity to cause harm, that occur frequently or may impact the market are classified into two rankings and registered. Countermeasures are then implemented in line with a set deadline based on comprehensive follow-up procedures. Clear rules are defined for defects designated with a high ranking, including

countermeasures, the deadline for implementation and method of implementation.

### Promotion of QC Circle/SQC\*1 activities

As part of TQM activities\*2, the Toyota Boshoku group conducts QC Circle activities for members with technical skills and SQC activities for members with administrative and technical skills.

As for QC Circle activities, in addition to tier-based training for leaders, advisors and supervisors, the Toyota Boshoku Promotion and Operational Case Study presentation is held in Japan as an occasion for presenting activity results. The All Toyota Boshoku QC Circle presentation is also held annually to present global activities, in which circles that have won in preliminary competitions in respective regions worldwide participate and make presentations.

In SQC activities, training is conducted mainly for Toyota Boshoku members with administrative and technical skills according to introductory-level, intermediate-level and advanced-level job classifications.



All Toyota Boshoku QC Circle presentation

\*1 Statistical Quality Control

\*2 Total Quality Management activities refer to initiatives that aim to make personnel and the organisation more dynamic based on the concepts of "Customer First," "company-wide participation" and "kaizen" in order to maintain a strong and flexible corporate structure.

## TB Voice



### Desire to expand QC activities

Joannie Russell, Miranda Baker, Johnnie Brashier (from left)

TBDN Tennessee (TBDN)

Participated in the 9th All Toyota Boshoku QC Circle presentation

We presented our initiatives for reducing defects in welding and improving the time cycle. The presentation we made was very satisfying, as we had practiced so many times before the day of the competition. We are thrilled to have received the gold award.

We felt everyone's enthusiasm from the other teams' presentations. Also, their efforts to creatively use illustrations and visually convey their ideas were also enlightening.

We were able to experience different cultures by meeting people from various countries. Sharing information with other teams also gave us a great deal of satisfaction. We hope to bring what we have learned to our home country and apply these lessons in our workplace.

### Consumer response

In order to protect the rights of customers using our products, the Toyota Boshoku group cooperates with manufacturers to quickly respond when receiving claims for automobile manufacturing components, thereby ensuring repair, replacement and other appropriate service. As for products besides car components, we are responding to various customer needs through individual service counters.

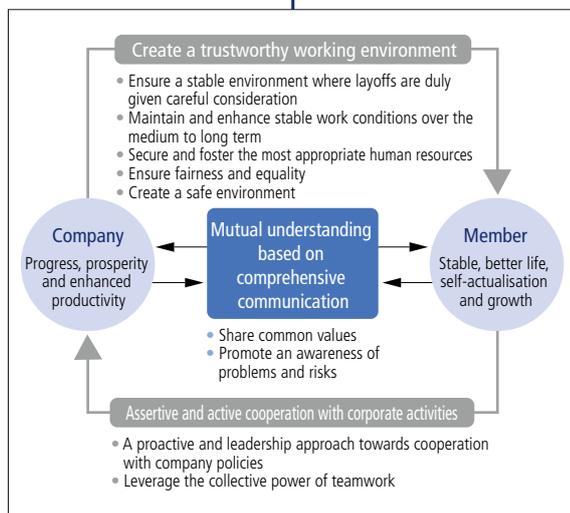
# Together with Company Members

## Creating an environment in which members work and have confidence in the company

The Toyota Boshoku group has codified its corporate philosophy and set of values to be shared by each member in the TB Way. It is the behaviour and respect for the TB Way that determines the level of its implementation. As such, we endeavour to create a bright, enjoyable and motivating work environment in which everyone can work to his or her full potential and satisfaction.

Fundamental philosophy on personnel and labour relations

Establish a relationship based on mutual trust and shared responsibility



## Building stable labour-management relations

The Toyota Boshoku group believes that the Company's continuous progress results in the greater satisfaction of members. We aim to foster labour-management relations built on mutual trust, in which everyone is working to fulfil their responsibilities for a more prosperous society.

### Stable employment with fair and honest evaluations and working conditions

We endeavour to ensure stable employment conditions by creating an environment where layoffs are duly given careful consideration and by maintaining and enhancing stable work conditions over the medium to long term. We also implement fair and honest policies that ensure a discrimination-free workplace. In recruitment, we aim to secure and foster the most appropriate human resources based on a medium- to long-term plan that takes into account such aspects as the current composition of members, global management strategy and environment changes.

Mutual understanding based on comprehensive communication forms the backbone of the relationship between Toyota Boshoku group members and companies. Top management and other supervisory tiers make their utmost efforts to provide information along with frequent discussions among all levels of the organisation. In this way, we take every opportunity to promote the sharing of common values and an awareness of problems and risks, thereby enhancing communication.

### Labour-management communication

The Toyota Boshoku group is deepening mutual understanding and trust by organising various occasions such as the Labour-Management Round Table Conference. Additionally, at Toyota Boshoku various Labour-Management Committees discuss a wide range of topics, including pay, work policies, production and safety, and create a safe, motivating work environment. These committees include the Labour-Management Council, Labour-Management Committee, Labour-Management Round Table Conference, Production Committee and Safety & Health Committee.

## Full respect for human rights

The Toyota Boshoku group strives to ensure that the individuality and humanity of our members is respected in accordance with our corporate philosophy and the TB Way.

## Developing a system to enable company members to easily seek advice

We do not advocate discrimination, defamation or other such improper conduct based on race, gender, age, nationality, religion, disability, sickness or injury. As a global corporate group, we strictly respect the laws and social regulations of other countries and regions, as well as forbid the use of child or forced labour.

## Respecting diversity

The Toyota Boshoku group is working to provide a work environment where members with the will to work can demonstrate their abilities and continue to work enthusiastically. Although history, culture, laws and social customs differ by country or region, all members, including the leaders of each company, understand that fundamental philosophies are shared and constant and thus act in accordance with this basic idea.

## Proactive recruitment of global human resources

The Toyota Boshoku group recruits exceptional and talented human resources irrespective of nationality. In fiscal 2012, a total of 40 people of different nationalities besides Japanese work at the Global Mainstay Hub. There are also plans to increase this number going forward.

The mentor system was also introduced from fiscal 2012, in which guidance including essential advice and support are provided to foreign national members so that they can deal with the living environment and work styles in Japan. Successive measures will be taken from fiscal 2013 onwards to firmly establish this system.

## Supporting post-retirement employment

Toyota Boshoku's Professional Staff and Skilled Staff systems for all retired members are being fully implemented. These systems are essential for ensuring corporate competitiveness by retaining the work potential of retirees amid a declining labour force while also giving retirees job satisfaction and motivation. As of the end of March 2013, 107 persons were rehired.

## Encouraging employment of persons with disabilities

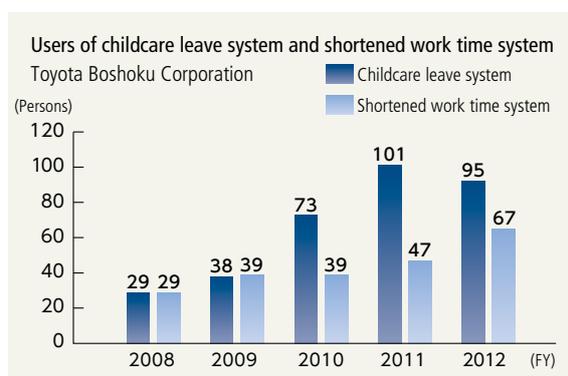
Members with disabilities play active roles in different positions at Toyota Boshoku. We will continue to work to create an environment that is easy to work in, including increasing the number of workplaces employing persons with disabilities and expanding the number of assistants per site and barrier-free facilities.

In fiscal 2012, we achieved 1.8% in the statutory employment ratio of persons with disabilities. In conjunction with the statutory employment ratio being raised to 2.0% from fiscal 2013, we will continuously strive to actively promote employment activities towards achieving this employment rate.

## Supporting the balance of work and childcare/nursing care

Toyota Boshoku has abolished non-scheduled working hours, reviewed the nursing care leave system for children and introduced a new nursing care leave system. In Japan, the Company also supports the harmonization of work and childcare by operating Tacchicchi House infant day care centres in cooperation with five Toyota group companies\*.

\* DENSO Corporation, Toyota Industries Corporation, Toyota Auto Body, Co. Ltd., JTEKT Corporation and Toyota Boshoku



## Promotion of human resources development

The Toyota Boshoku group aims to ensure that all company members in many parts of the world understand and implement the values, stance and action outlined in the TB Way. Meeting challenges, continuously carrying out *kaizen*, practicing *genchi-genbutsu* (Go, see & study), respecting

individuality, pursuing the root cause and ensuring implementation from start to finish are also part of the TB Way.

## Nurturing of global leaders

As a means of further responding to the acceleration of globalisation, during fiscal 2012 the Toyota Boshoku group began developing a system for nurturing leaders capable of taking active roles globally through continuously practicing the TB Way beyond the boundaries of countries, entities and functions.

By realising a human resource cycle of Toyota Boshoku Global Leaders (TBGL) according to planned development, optimal allocation, fair evaluation and appropriate compensation, we are aiming to build a globally common personnel system so that members are able to work enthusiastically with confidence and fully exert their abilities.

In fiscal 2013, we are planning to newly establish special training programmes for TBGL human resources.

## Global development of human resources

We foster human resources who can work across borders and train locally recruited personnel in each region. The biggest challenge with developing human resources concerns the understanding and implementation of the TB Way. As a concrete initiative, we pour energy into education or a work style in which members resolve problems based on the TB Way, on-the-job training (OJT) and QC Circle activities.

To speed up global deployment of the educational programme concerning problem solving, we began nurturing trainers for RM&CH and regional entities in fiscal 2007. Trainers who complete the programme educate regional members, which broadens the horizons of those learning.

### TB Voice



Mustafa Sunter



Kosucuoglu Serkan

#### Aspiring to expand our careers through learning and experience

Toyota Boshoku Turkey (TBT)  
Visiting Japan under the ICT system  
and currently undergoing training at  
Toyota Boshoku

We were in charge of production and delivery management improvement operations at TBT and came to the Global Mainstay Hub in May 2013 in order to further enhance our level of knowledge in production technology. At the Global Mainstay Hub, we are assigned to the Operating Management Consulting Division, in which we are learning to examine the current status of production processes as well as conduct research and improve operation, logistics and equipment by thinking for ourselves. We are also deepening our understanding of the Toyota Production System (TPS) through operations.

Every day is very stimulating in that we are able to learn many things about Japan. We hope to learn and experience much more by the end of the training in April 2014 to expand our careers.

In fiscal 2012, we held the Master Trainer Programme after bringing key persons from respective regions to the Global Mainstay Hub. A total of 12 members learned educational content required to work in the Toyota Boshoku group. Thereafter, they will share what they have learned in their respective regions worldwide.

Further, we effectively utilise a "trainee system" and "intra-company transfer (ICT) system" in which one learns in the field at other entities within the group. With the trainee system, personnel of the Global Mainstay Hub heighten their practical skills through hands-on work at group companies outside Japan while with the ICT system, personnel from group companies outside Japan come to the Global Mainstay Hub for a similar programme. A total of 41 people underwent the trainee system in fiscal 2012 and 28 people used the ICT system. In fiscal 2013, we intend to significantly expand the number of people using both of these systems.

### TB Voice



#### Realising the difficulties of cross-cultural communication

**Masayuki Igawa**  
Quality Control Division  
Currently undergoing training at Toyota Boshoku Australia (TBAU) utilising the trainee system

I was assigned to TBAU in January 2013 utilising the trainee system and have since been in charge of operations related to quality improvement.

When defects in products occurred in the production line, I was able to quickly solve the problem by working together with personnel in other departments and suppliers. This experience enabled me to learn many things such as the necessary information for investigating the cause and method of creating a report.

In Australia, where various ethnic groups are working, there are many occasions in which your intention is not properly communicated by simply saying something once. Rather than carrying out work based on the Japanese way of thinking, I realised the importance of confirming whether or not the recipient has truly understood. When I return to Japan, I hope to clarify the good points and bad points about ways of carrying out work in Japan and Australia in order to contribute to enhancing the level of work at both companies.

## Administrative and technical related education

Toyota Boshoku introduced a mentoring system to provide OJT training support in fiscal 2006. Senior staff members support new members after learning the basic steps of OJT for nurturing human resources and respecting each person's human nature. New members are instructed one-on-one for one year and presentations of respective achievements are held at the end of the year.

In terms of professional training, we impart specialised knowledge and skills in areas that include quality, costing and financial management, technical development, production technology and manufacturing.

## Specialised skills related education

The Global Mainstay Hub established the Technical Skills Training Centre in fiscal 2010 in order to increase manufacturing capabilities and pass them on globally.

The Technical Skills Training Centre conducts education based on the three pillars of "outstanding specialised skills," "strong management and the development of leadership" and "strengthening of maintenance power" in an effort to promote human resources development directed towards enhancing workplace capabilities to ensure the highest levels in terms of quality, cost, delivery and safety.

Regarding outstanding specialised skills, we started education on specialised knowledge required for manufacturing as well as TB STARS\*1 from 2011 to learn about the respective processes of quality, safety, TPS\*2 and TPM\*3. Additionally, technical skills acquisition standards for the three stages of common knowledge, specialised knowledge and practical skills are assessed. With this initiative, the Company is working to visualise the level of individual technical skills to enhance the motivation of members.



All TB Skills Competition



Toyota Boshoku Technical Skills Academy

\*1 TB-Global Skill Training and Recognition System

\*2 Toyota Production System

\*3 Total Productive Maintenance

### TB Voice



#### Wish to firmly establish a workplace culture in which we are able to consider matters from the workers' standpoint

**Wang Rui**  
Tianjin Intex Auto Parts  
Received gold award at 7th TB All Skills Competition

I received the gold award in the seat assembly category at the 7th TB All Skills Competition. My tasks included selecting appropriate wires, tightening bolts using specific torque and checking if everything has been properly done after completion of seat assembly. Understanding the characteristics of components as well as technical expertise and knowledge are required to accomplish these tasks. Although I was very nervous on this day, I tried to be calm and concentrate on doing my tasks. I remember being so happy and excited as I heard my name during the awards presentation ceremony. I think that carrying out tasks in the same way as I always do led to winning the gold award.

I am usually in charge of quality assurance and productivity improvement operations. I hope to utilise the experience of this skills competition to firmly establish a workplace culture in which we are able to consider work processes from the standpoint of workers.

For strong management and the development of leadership, from fiscal 2012 we started special training prior to being promoted to ensure that personnel are able to fulfil their respective roles immediately after promotion. This six-month training involves education regarding problem solving and roles by job classification at Toyota Boshoku.

In terms of the strengthening of maintenance power, more than 30 courses for specialised skills such as the equipment maintenance system, metal processing system and die maintenance have been established as specialised skills education with the aim of improving manufacturing capabilities that are commonly required by the group. Additionally, in equipment maintenance education, we have set up a course for conducting intensive training by studying at the Technical Skills Training Centre over a 1-3 month short period of time. In the future, robot maintenance is expected to increase in emerging countries; therefore, robot maintenance courses are being enhanced. In other areas, Toyota Boshoku has set up the Toyota Boshoku Technical Skills Academy in order to cultivate leaders in charge of imparting technical skills in the workplace, thereby working to nurture personnel who are balanced in terms of "mind, body and spirit" and possess a global outlook. The annual All TB Skills Competition is also held, in which affiliates and business partners participate as well.

### Promoting safety and health and health building

**The Toyota Boshoku group implements safety and health activities under a Basic Safety and Health Policy in order to establish a corporate culture that places a priority on safety and health at work.**

#### Basic Safety and Health Policy

In order to establish a corporate culture of safety first, we declare that we will not produce, handle, transport or dispose of products or materials unless people's safety, health and environment are protected.

## Global Occupational Safety & Health Management

Aiming to create a safe work environment, the Toyota Boshoku group works to enhance health and safety at work through activities based on an Occupation Safety & Health Management System (OSHMS).

Toyota Boshoku has established and put into practice the management of OSHMS operation standards from fiscal 2011. These standards were also developed in regions outside Japan to firmly establish a foundation for building a culture of safety in respective

countries. Research regarding laws and regulations pertaining to occupational safety and health in respective countries was also implemented. From fiscal 2012, the development of safety standards according to the laws and regulations of each country was promoted to enhance the level of safety globally.

The Toyota Boshoku group is also promoting risk assessment activities at workplaces based on OSHMS. Additionally, in order to firmly establish and permeate risk assessment, Toyota Boshoku introduced case examples of independent activities of respective plants at the plant Safety & Health Committee as a useful reference for such purposes as incorporating them into the activities of individual plants. As for respective regions outside Japan, a model process was specified for risk assessment activities to improve the level of activities by promoting initiatives from the two perspectives of risk assessment education and implementation. Going forward, we will work to further enhance the level of all regions under the leadership of RM&CH.

### Strengthening initiatives to further develop safety awareness

Toyota Boshoku promotes safety and health activities aimed at achieving zero industrial accidents. To further establish a culture of safety, we develop *Anzen Dojo* globally. Toyota Boshoku has already completed setting up an *Anzen Dojo* at all of its plants and will continue to implement basic training for safety behaviour.

In fiscal 2012, approximately 9,834 members from Toyota Boshoku's production group and administrative and technical groups passed a 12 item exam in basic

Establishment of *Anzen Dojo*

[FY2012 results]

100%

[FY2011 results]

87%

### TB Voice



#### Introduction of *Anzen Dojo* has changed company members' awareness

**Norbert Langner**

Aiming to achieve zero labour accidents at the BAE Eversdorf plant Boshoku Automotive Europe (BAE)

An *Anzen Dojo* was introduced at the BAE Eversdorf plant where I work in July 2012. Since the plant recently became a member of the Toyota Boshoku group, there were doubts about the necessity of introducing an *Anzen Dojo*. However, repeating members' training at this *dojo* changed awareness and the importance of occupational safety was recognised by everybody. Additionally, activities at the *Anzen Dojo* provided an opportunity to set up a *kaizen* (improvement) team in an effort to carry out work more safely through various initiatives such as reviewing production processes. It is important to enhance the level of training every year and we will continue to make active use of the *Anzen Dojo* in order to further increase members' safety awareness.

conduct that included the inspection of uniforms and protective equipment as well as knowledge of work safety. In respective regions outside Japan, the establishment of *Anzen Dojo* was completed at all production bases. In fiscal 2013, we will continuously promote the establishment at new entities.

In May 2012, the *Anzen Taikan Dojo* (Simulated Accident Dojo) was established as a facility specialised in safety education in an effort to strengthen initiatives to prevent accidents by enhancing company members' sensitivity towards risks. A total of 1,159 members have participated in this activity from respective regions worldwide, thereby raising awareness towards preventing accidents by experiencing simulations of situations such as being caught and



Anzen Taikan Dojo

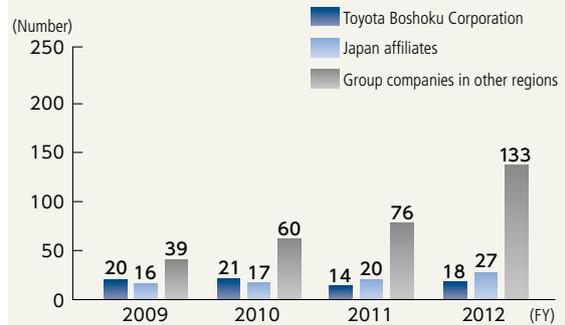
being pulled in equipment, coming in contact with heavy objects and receiving an electric shock.

## Guaranteeing safety at outside construction sites

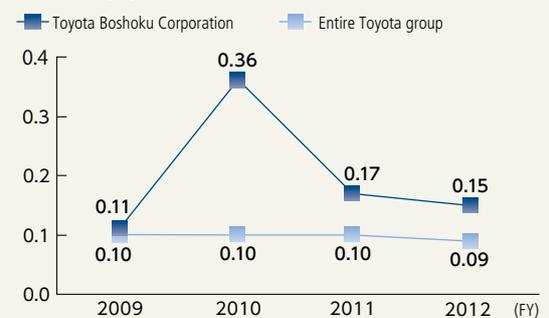
Guaranteeing safety outside construction sites, where large heavy machinery is involved and many workers perform their work within our plant premises, is viewed as a key challenge to eliminate major accidents. On this basis, we established the Toyota Boshoku Safety and Health Association in 2008 and expanded initiatives aimed at safety and health on-site for outside construction.

During fiscal 2012, measures were taken to widely put into practice the safety and health management standard for construction and operation manual for construction work, which were established and implemented in fiscal 2011. As a result, in addition recording no accidents caused by outside construction, the number of inquiries and cases indicating omissions on safety forms has decreased from 48 cases to 43 cases during fiscal 2011. Additionally, we are working to establish and put into practice the safety and health management standard for construction proposals for construction work and operation manual for construction according to the circumstances of respective countries in order to further build initiatives aimed at securing safety globally.

Number of industrial accidents over time



Lost time injury rate



## Initiatives to enhance healthy living

The Toyota Boshoku group is promoting initiatives to enhance company members' healthy living as a means of creating a workplace in which all members can work enthusiastically in good health and develop a system so that all group members can equally receive health checks. Health management staff and industrial physicians are working in cooperation to support maintaining and enhancing personnel's mental and physical health.

In fiscal 2012, we steadily promoted initiatives to improve the health of all members through various measures such as continuously carrying out health checks stipulated under laws and regulations of respective countries along with conducting measures to prevent lifestyle-related diseases.

### Mental health diagnoses

Toyota Boshoku is working to improve the work climate by enhancing mental health education and implementing mental health diagnoses to maintain company members' mental health.

During fiscal 2012, we have arranged necessary mental health education curriculum by age and rank and implemented appropriate education suited for targeted personnel. Additionally, as a follow-up to initial training conducted upon joining the company, education focused on coping with stress was also provided for members who have been working at the company for 1-2 years. In this way, we will further strengthen initiatives to maintain the mental health of company members.

# Together with Shareholders and Investors

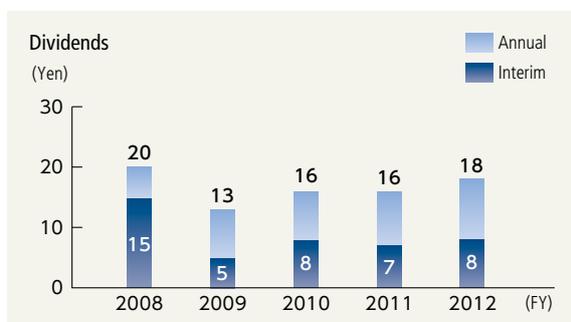
## Enhancement of corporate value and reinforcement of information disclosure

The Toyota Boshoku group is working to disclose information in an accurate, timely and fair manner to meet the expectations and gain the trust of shareholders and investors. Accordingly, the External Affairs & Public Relations Division, Accounting & Finance Division and Legal Division have set up an information management department for this purpose. The Company also regards the distribution of profits to shareholders and investors as an important management policy. Accordingly, we make efforts to improve and strengthen our corporate structure and proactively expand our business. Through long-term, stable growth, Toyota Boshoku strives to ensure management transparency by disclosing business and financial information in a timely and appropriate manner.

### Fiscal 2011 distribution of profits

Business results for fiscal 2012 are shown on pages 69 and 70.

In continuing to place priority on providing shareholders with stable dividends, annual cash dividends of 18 yen per share were paid for the current fiscal year, an increase of 2 yen per share versus the previous fiscal year.



### Briefings for analysts and investors

The Toyota Boshoku group regularly holds results briefings with the Company president and executive officers in order to aid analysts and institutional investors in understanding Toyota Boshoku's financial situation and business strategies. In fiscal 2012, two briefings were held after the second quarter of the year and after the fiscal year-end.



IR results briefings (Tokyo)

The Toyota Boshoku group actively promotes efforts to disclose information and communicate in an appropriate and timely manner so as to earn the trust and support of shareholders and investors.

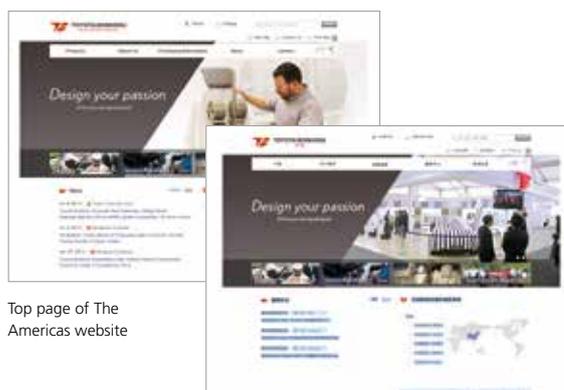
Additionally, we are actively pursuing communication with investors through various occasions, including small meetings and interviews with analysts and institutional investors, visiting institutional investors and holding seminars for individual investors.



Plant tours for shareholders (Sanage Plant)

### Disseminating information through our website

The Toyota Boshoku group posts various disclosure materials in a timely manner on our website including an introduction of our business, press releases and financial results briefing materials. During fiscal 2012, we have consecutively established websites for respective regions, beginning with The Americas followed by Europe & Africa, Asia & Oceania and China, in an effort to further disclose information to customers, shareholders and investors worldwide. In doing so, we will continuously strive to disclose information in a timely and appropriate manner to further deepen understanding of the Toyota Boshoku group.



Top page of The Americas website

Top page of China website

#### URL for The Americas region site

<http://www.toyota-boshoku.com/us/index.html>

#### URL for Asia & Oceania region site

<http://www.toyota-boshoku.com/asia/index.html>

#### URL for China region site

<http://www.toyota-boshoku.com/china/index.html>

#### URL for the Europe & Africa region site

<http://www.toyota-boshoku.com/eu/index.html>

#### URL for Japan region site

<http://www.toyota-boshoku.com/jp/index.html>

# Together with Suppliers

## Open, fair and transparent trade and implementation of CSR activities in the supply chain

### Basic procurement policy

- 1 Open and fair trade
- 2 Mutual development based on mutual trust
- 3 Promotion of eco-friendly green procurement
- 4 Local procurement as a good corporate citizen
- 5 Thorough legal compliance and ensuring confidentiality

## Strengthening legal compliance initiatives

Toyota Boshoku has established compliance themes for important areas and drawn up action plans to promote initiatives for legal compliance. In terms of procurement, as a fundamental aspect of our business activities, we aim to deepen our understanding of and comply with relevant laws and regulations including respective laws and regulations pertaining to antitrust laws, subcontracting laws, labour laws and the environment.

The Toyota Boshoku group code of conduct specifies a code of behaviour for procurement activities that achieve trust and respect in our relationships with suppliers. Members of the Toyota Boshoku group pledge to act in accordance with these guidelines.

In fiscal 2012, in addition to a lecture on subcontracting law that is held annually, Toyota Boshoku provided explanations regarding the "prevention of illegal employment of foreign citizens" as well as an "introduction of examples of violations and points to be aware of regarding the management of confidential information" at the liaison meeting with major suppliers (approximately 100 companies) in Japan. Such efforts are aimed at reaffirming legal compliance and ensuring confidentiality.

## Permeation of Toyota Boshoku suppliers CSR guidelines

At the Toyota Boshoku group, we have formulated the Toyota Boshoku suppliers CSR guidelines and are undertaking efforts to permeate and promote these guidelines with the aim of mutually contributing to the ongoing advancement of society together with all suppliers. In order to fulfil CSR together with suppliers, these guidelines stipulate our stance regarding "compliance," "protection of human rights and improvement of labour conditions," "contributing to society through corporate activities" and "mutual development with our suppliers through our business transactions" as matters that we request of our suppliers over the course of developing products and services.

Using fair and equitable procedures, the Toyota Boshoku group purchases parts, raw materials and equipment from a large number of suppliers throughout the world. Together, we will grow by putting into practice the spirit of a win-win relationship.

## Green procurement and green purchasing

At Toyota Boshoku, we preferentially purchase energy-efficient buildings and fixtures as well as green office supplies based on our philosophy of prioritising eco-friendly purchasing across the board and are working to procure safe components and materials in order to leave behind a verdant and abundant environment for the next generation.

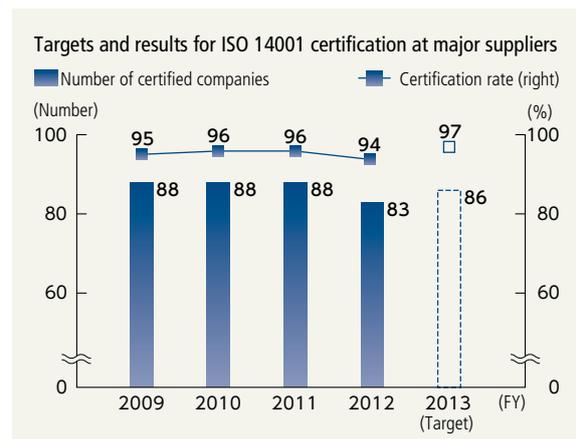
## Building of environmental management systems (EMS)

The Toyota Boshoku group promotes environmental preservation activities in collaboration with suppliers aimed at creating a sustainable society.

Toyota Boshoku requires its suppliers of parts, raw materials, auxiliary materials and equipment to establish EMS based on the acquisition of ISO 14001 certification. As a result, in fiscal 2012, 83 of its 88 major suppliers, or approximately 94%, have acquired ISO 14001 certification. Three companies are expected to acquire the certification in fiscal 2013.

In addition, Toyota Boshoku is stepping up its efforts to comply with various environmental regulations, which also include working actively with suppliers to ensure compliance with the REACH regulation\*.

\* A regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals enforced in Europe



### ISO 14001 certification acquisition

	2009	2010	2011	2012	2013 (Target)
Supplier companies	93	92	92	88	88
Certified companies	88	88	88	83	86
Certification rate (%)	95	96	96	94	97

## Creation of a global procurement system

As business becomes more global in nature, the Toyota Boshoku group is working as a whole to realise optimal global procurement together with suppliers, giving due consideration to all aspects such as quality, safety and cost.

### General Meeting of Global Suppliers

Every year, a General Meeting of Global Suppliers is held for Toyota Boshoku's principal suppliers to explain the surrounding business environment and the group's current direction. This is held in order to gain their understanding and cooperation regarding procurement policy. In fiscal 2012, we requested that each of our suppliers strive to boost quality, provide reasonably priced products and strengthen development of technologies to reduce CO<sub>2</sub> and risk management in order to further our Customer First stance. On this occasion, awards were presented to suppliers with outstanding results for fiscal 2012.



General Meeting of Global Suppliers in The Americas region



Award presentation ceremony at the General Meeting of Global Suppliers (Award for Excellence presented to Indosafety Sentosa Industry)

### Creation of a cohesive global procurement system

The Toyota Boshoku group is working to create a global procurement system and strengthen ties with suppliers.

We are standardising work processes and making each step more visible in each region of the world, and discussing how best to ensure a timely response in collaboration with the Global Mainstay Hub. To share procurement information globally, we have introduced a fundamental procurement system called TB-WAVE in each region. We are currently registering information in a timely manner and working to share this information. Additionally, as part of developing a system for global cost benchmarks, we are building a database that will enable us to horizontally compare the same items in respective regions beginning with Japan. We completed the introduction of a database in The Americas region and Europe & Africa region in fiscal 2012. Efforts are currently proceeding in other regions.

### Deployment of global Supplier Parts Tracking Team (SPTT)\* activities

In promoting global operations, it is essential to strengthen and expand ties with suppliers regarding materials, parts, equipment and other items when setting up new production lines and launching

new products. The Toyota Boshoku group is promoting activities to assure the quality of its products by helping suppliers in other regions boost the quality of their production processes, beginning with the production preparation stage. Such actions, referred to as global SPTT activities, enable an optimum procurement system that generates comprehensive benefits from different perspectives when purchasing parts externally. Key aspects to be considered include quality, price, distribution and timely delivery.



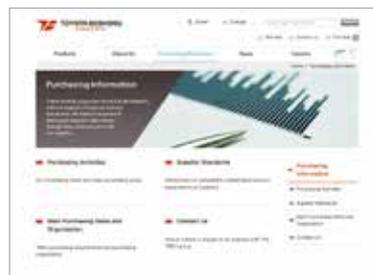
Global SPTT activities (China)

SPTT activities encourage frequent communication between suppliers and each relevant department through visits, guidance and education in order to solve quality, cost and delivery (QCD) issues with suppliers. These include whether parts are supplied to each plant in a timely manner and whether high quality parts are consistently supplied.

\* Team carries out follow-up activities for outsourced production and manufacturing preparation.

### Global development of basic procurement policy

The Toyota Boshoku group introduces its basic procurement policy via the group website. In fiscal 2011, the basic procurement policy has been posted on the newly established website for The Americas region. In fiscal 2012, we launched a website for the Europe & Africa region as well, in which we introduced our basic procurement policy. In doing so, we aim to realise fair and equitable business dealings and active communication in the five regions worldwide.



Procurement page on website (Europe & Africa region)

# Together with Global Society & Local Communities

In conducting business globally, the Toyota Boshoku group promotes communication with local communities as a good corporate citizen. Accordingly, we endeavour to implement social contribution activities that tackle challenges in respective regions. To bring more smiles to faces the world over, we will continue deploying activities aimed at contributing to society.

## Environmental activities

The Toyota Boshoku group believes in the need for each and every member to respond to the demands of society to implement various environmental activities.

### Global reforestation activities

We conduct reforestation activities mainly in Indonesia, Thailand and Japan to help protect the environment globally.



"Eco-Forest of the Toyota Boshoku group in Ohira" (Japan)

## Foster youth through education

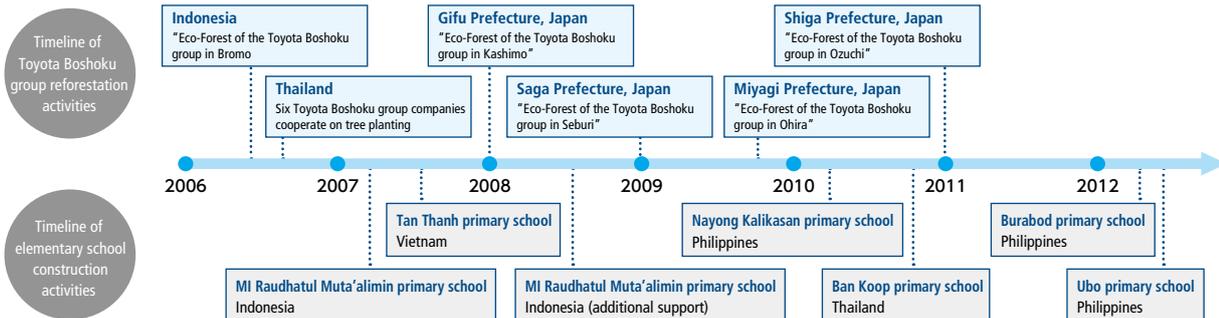
The Toyota Boshoku group wants to help the children of the world and is pushing ahead with programmes to support children's sound development.

### Improving school environments

The Toyota Boshoku Managers' Association has been undertaking efforts since 2007 in collaboration with the international non-governmental organisation Plan Japan to build six elementary schools in four countries in which the Toyota Boshoku group entities operate that include Indonesia, Vietnam and Thailand.



Working in cooperation to build an elementary school in Thailand



## TOPICS

### Reforestation activities towards realising greening in China

In May 2013, Toyota Boshoku (China) concluded a tree-planting agreement with the CHINA GREEN FOUNDATION and conducted the "Toyota Boshoku Oasis public activities" in Alashan, Inner Mongolia. Approximately 30 volunteers participated from entities in China and planted 1,200 evergreen trees such as Chinese Arborvitae.

Reforestation activities have begun in the China region from fiscal 2012, in which initiatives are being carried out to prevent and improve desertification in China. Reforestation activities will be further promoted throughout the China region with the aim of contributing to growth in harmony with society.



Tree-planting activities in Inner Mongolia

### TB Voice



#### Wish to convey and expand the importance of environmental protection

**Shen Danfeng**

Participating in reforestation activities in China region as a person in charge of CSR  
Toyota Boshoku (China)

I have been in charge of duties such as exchanging information with government organisations and land surveys since the end of 2011 as an organiser of reforestation activities in the China region.

Since China currently is facing the serious issues of alkalinisation and desertification of land, we encouraged respective Toyota Boshoku group companies in the China region to participate in reforestation activities.

Although conducting reforestation activities within a harsh natural environment is very tough, I realised that the sense of accomplishment after planting all the seedlings will lead to creating a sense of togetherness among colleagues who have participated. In addition to ongoing initiatives in Tianjin and Inner Mongolia, we hope to expand this activity to Guangzhou and Shanghai regions in the future. I hope to continuously promote CSR activities in the China region to convey and expand the importance of environmental protection going forward.

## Activities with local citizens

The Toyota Boshoku group wants to support the people in each of the regions where we operate worldwide and hopes to continue as a trusted company deeply rooted in each region. In this way, we can build strong bonds with local communities.



### Germany

Boshoku Automotive Europe



Support children fighting against cancer

### Belgium

Toyota Boshoku Europe



Presents for underprivileged children

### Mexico

TB Sewtech de Mexico



Donation of wheelchairs and assistive devices for walking

### U.S.A.

Toyota Boshoku Kentucky



Tree-planting activity with local kindergarten children

### China

Guangzhou Intex Auto Parts



Implementation of blood donation activity

Tianjin Toyota Boshoku Automotive Parts



Visit to elderly care facility

### Japan

Toyota Boshoku Kyushu



Coaching by handball club members for local elementary school and junior high school students

Toyota Boshoku Shiga



Exchange meeting with local residents driven by reforestation activities

### Thailand

Toyota Boshoku Gateway (Thailand)



Plant four inviting local elementary school students

### India

Toyota Boshoku Automotive India



Volunteer activity for painting elementary school building

## TOPICS

### TABLE FOR TWO (Toyota Boshoku)

From fiscal 2011, we are continuously participating in the TABLE FOR TWO activity, which is a programme that provides school meals for children in respective countries in Africa where the shortage of food is a serious issue. Under this programme, 20 yen will be donated per meal when company members purchase healthy menus (members and the Company donate 10 yen each), and in turn, provide one school meal. A total of 14,213 meals (216,280 yen) were donated through this activity as of March 2013.



Making a social contribution through healthy menus

# Environmental Activities

Working towards Environmental Protection in All Facets of Business



■ Report on Environmental Activities	53
■ Fiscal 2012 Activity Results of the Toyota Boshoku Group 2015 Environmental Action Plan	55
1. Environmental Management	57
2. Development and Production Activities for the Realisation of a Low-Carbon Society	62
3. Technology Development and Production Activities for Building a Recycling-Oriented society	65
4. Reduction of the Use of Substances with Environmental Impact and Carrying Out Social Activities in Co-Existence with the Natural Environment	67

The Toyota Boshoku group aims for growth that is in harmony with the environment and strives to protect the environment in all areas of our business activities. We promote environmental conservation worldwide and work together to reduce environmental loads by conducting eco-friendly development, design and production. At the same time, we create products that are both comfortable and ecologically responsible by maximising the potential of our environmental technologies in order to contribute to the realisation of a sustainable society.

## Aiming to be a globally acclaimed, pioneering environmental company by further promoting the Toyota Boshoku group 2015 Environmental Action Plan

**We contribute to the realisation of a sustainable society in which the environment and production co-exist in harmony.**



Chairman of Environment Committee  
Executive Vice President  
Takamichi Taki

In March 2011, the Toyota Boshoku group formulated the mid-term 2015 Environmental Action Plan (hereinafter, "2015 Plan") covering the period from fiscal 2011 to fiscal 2015 in line with the Company's basic philosophy of global environmental conservation.

We achieved all targets in fiscal 2012 by promoting the development of environmentally friendly products and the creation of clean plants based on the 2015 Plan.

Going forward, we will make concerted efforts in the following areas to contribute further to the realisation of a sustainable society in which the environment and production co-exist in harmony with the aim of becoming a global environmentally advanced company.

- Develop and design environmentally friendly products
- Reduce CO<sub>2</sub> emissions
- Promote business activities that consider biodiversity

### 1 Environmental management

#### Management

- (1) **Strengthen and promote consolidated environmental management**
  - Promote activities for reducing environmental impact by enhancing the activities of Environmental Committees
  - Promote continuous improvements by building and enhancing the operation of environmental management systems (EMS)
  - Strengthen compliance with environmental laws and promote activities to prevent environmental risk
- (2) **Promote environmental conservation activities in cooperation with business partners**
  - Request that suppliers build and operate EMS and abide by the laws
  - Promote resource conservation at suppliers through value-added proposals that include reviewing production methods
- (3) **Promote environmental management using Eco-VAS\*<sup>1</sup> in product development**
  - Steadily promote Life Cycle Assessment\*<sup>2</sup> (LCA) management at the development stage

\*<sup>1</sup> Eco-Vehicle Assessment System  
\*<sup>2</sup> Overall assessment for total environmental load of products from production through to use and up to disposal
- (4) **Promote sustainable plant activities\*<sup>3</sup>**
  - Promote the creation of plants that co-exist with communities and nature

\*<sup>3</sup> Activities that aim to create production facilities that utilise and co-exist with nature
- (5) **Enhance and promote environmental education globally**
  - Systemise and implement global environmental education
  - Promote enlightenment activities linked to the Toyota Boshoku group's Environment Month activities
- (6) **Enhance activities for communication with stakeholders through active disclosure of environmental information**
  - Further enhance the provision of environmental information through the Toyota Boshoku Report and other communication tools
  - Promote activities for communication with local communities



### 2 Development and production activities for the realisation of a low-carbon society

#### Development and Design

- (1) **Promote the development of technologies for next-generation vehicles**
  - Promote the development of weight-saving (lighter-weight) products for improving fuel efficiency

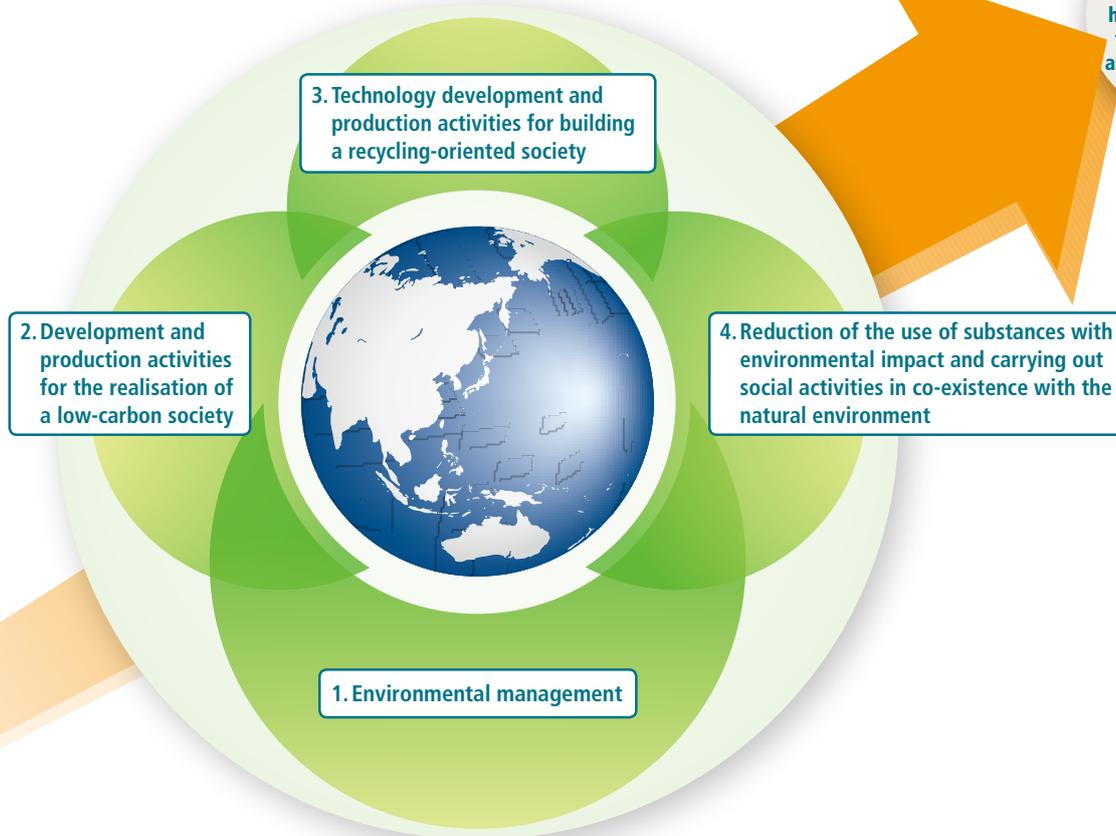


#### Production and Logistics

- (2) **Reduce CO<sub>2</sub> emissions in production activities**
  - Promote the development of production technologies with the aim of achieving a 30% reduction in CO<sub>2</sub> emissions of new production process
  - Promote CO<sub>2</sub> emission reduction activities by making daily improvements
  - Utilise renewable energy giving consideration to the characteristics of each country and region
- (3) **Reduce CO<sub>2</sub> emissions in logistics activities**
  - Promote activities that further raise transportation efficiency

## Toyota Boshoku group 2015 Environmental Action Plan

For a sustainable society that realises harmony between the environment and manufacturing



President's Interview

Special Features

Global Challenge

Social Activities

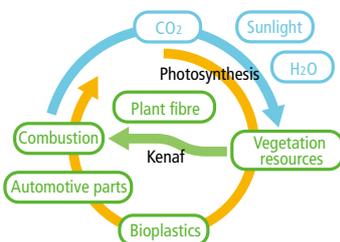
Environmental Activities

Facts & Figures

### 3 Technology development and production activities for building a recycling-oriented society

#### Development and Design

- (1) Promote recycling design and develop technologies for effective use of limited resources
  - Promote recycling design that reduces the number of parts and improves ease of disassembly
- (2) Develop and expand the use of plant-derived materials that can recycle CO<sub>2</sub>
  - Promote the development and product commercialisation of plant-derived materials such as kenaf
  - Establish technologies and a production structure for securing stable supplies of plants used as industrial resources without exerting an impact on edible plants



#### Production and Logistics

- (3) Reduce waste materials and efficiently use resources in production activities and logistics activities
  - Reduce emissions by raising yields and taking other measures to reduce waste at the source and promote effective use of resources within the Toyota Group
  - Establish targets individually giving consideration to the water environmental issues in each country and region and continually reduce the volume of water usage
  - Promote streamlining of packaging specifications and the use of returnable containers

### 4 Reduction of the use of substances with environmental impact and carrying out social activities in co-existence with the natural environment

#### Development and Design

- (1) Strengthen management of products that contain chemical substances
  - Steadily switch away from the use of substances with environmental impact and strengthen the structure for managing their usage

#### Production

- (4) Reduce the use of substances with environmental impact in production activities
  - Curb emissions of PRTR\*1, VOC\*2 and other atmospheric pollutants
  - \*1 PRTR: Pollutant Release and Transfer Register
  - \*2 VOC: Volatile Organic Compounds

#### Cooperation with Society

- (3) Undertake efforts towards conservation of biodiversity
  - Formulate biodiversity guidelines and aim for co-existence with the ecosystems of surrounding communities
- (4) Promote social contribution activities in order to co-exist with nature
  - Promote activities that contribute to the environment and society such as environmental preservation, forest management and reforestation activities in cooperation with the companies in the Toyota Boshoku group and the surrounding communities



# Fiscal 2012 Activity Results of the Toyota Boshoku Group 2015 Environmental Action Plan

In fiscal 2011, the Toyota Boshoku group formulated the 2015 Plan, which outlines the implementation plan for environmental activities from fiscal 2011 to fiscal 2015. During fiscal 2012, we successfully achieved our targets for all items.

## 1. Environmental management

(Assessment: ○: Achieved)

Action Items	Key action items for 2015	Fiscal 2012 initiatives policy/goals	FY2012 results	Self-assessment	Page	
Management	(1) Strengthen and promote consolidated environmental management	<ul style="list-style-type: none"> <li>• Create risk map for preventing abnormalities and complaints at model business entities</li> <li>• Acquire ISO 14001 certification at one company in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Completed creation of risk map in model business entities</li> <li>• Acquired certification according to plan</li> </ul>	○	59 60	
	(2) Promote environmental conservation activities in cooperation with business partners	<ul style="list-style-type: none"> <li>• Confirm acquisition status of ISO 14001 certification and promote maintenance of certification acquisition</li> </ul>	<ul style="list-style-type: none"> <li>• Confirmed acquisition rate and continued maintenance of certification acquisition</li> <li>• Requested compliance measures</li> </ul>	○	48	
	(3) Promote environmental management using Eco-VAS in product development	<ul style="list-style-type: none"> <li>• Rebuild and implement LCA promotion system</li> </ul>	<ul style="list-style-type: none"> <li>• Designated vehicle types and conducted LCA evaluation</li> </ul>	○	—	
	(4) Promote sustainable plant activities	<ul style="list-style-type: none"> <li>• Formulate roadmap for reducing CO<sub>2</sub> emissions globally</li> </ul>	<ul style="list-style-type: none"> <li>• [Japan] Completed formulation of plan for energy self-sufficiency (Renewable energy, co-generation equipment)</li> </ul>	○	—	
	(5) Enhance and promote environmental education globally	<ul style="list-style-type: none"> <li>• Systemise and implement global environmental education</li> <li>• Promote enlightenment activities linked to the Toyota Boshoku group's Environment Month activities</li> </ul>	<ul style="list-style-type: none"> <li>• Provide education globally</li> <li>• Approve proposals for valid and ongoing enlightenment activities in such areas as energy and resource conservation</li> </ul>	<ul style="list-style-type: none"> <li>• Distributed environmental vision cards stating the Toyota Boshoku group environmental policy and 2015 Plan and conducted education</li> <li>• Presented awards and held lecture presentations for cases of energy conservation</li> </ul>	○	60
	(6) Enhance activities for communication with stakeholders through active disclosure of environmental information	<ul style="list-style-type: none"> <li>• Further enhance the provision of environmental information through the Toyota Boshoku Report and other communication tools</li> <li>• Promote activities for communication with local communities</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance environmental information in corporate brochure</li> <li>• Increase articles to boost awareness raising in company magazine</li> <li>• Promote products at exhibitions and events</li> <li>• Continuously implement plant observation tours for schools</li> <li>• Continuously implement area social gatherings</li> <li>• Support company member volunteers' participation in local environmental beautification activities</li> </ul>	<ul style="list-style-type: none"> <li>• Enhanced environmental information in corporate brochure</li> <li>• Released global environmental news in company magazine</li> <li>• Appealed environmental technology by exhibiting three environmental items at Automotive Engineering Exposition and through other exhibitions</li> <li>• Implemented plant observation tours for elementary and junior high schools in the vicinity</li> <li>• Continuously implemented area social gatherings (Karya district, Sanage district)</li> <li>• Supported activities of volunteer participants</li> </ul>	○	— 60

\*1 Life Cycle Assessment: Overall assessment for total environmental load of products from production through to use and up to disposal

## 2. Development and production activities for the realisation of a low-carbon society

(Assessment: ○: Achieved)

Action Items	Key action items for 2015	Fiscal 2012 initiatives policy/goals	FY2012 results	Self-assessment	Page																																						
Development and design	(1) Promote the development of technologies for next-generation vehicles	<ul style="list-style-type: none"> <li>• Determine limits to further reducing weight of base material for door trims</li> <li>• Establish technology to reduce weight through different mass per unit area in certain parts</li> </ul>	<ul style="list-style-type: none"> <li>• Completed identification of limits to reducing weight in thin-walled base material</li> <li>• Completed development of base material for fibre headliner with different mass per unit area</li> </ul>	○	62																																						
	① Promote the development of weight-saving (lighter-weight) products for improving fuel efficiency	<ul style="list-style-type: none"> <li>• Establish and promote weight-saving target values for all project units for new vehicle models</li> </ul>	<ul style="list-style-type: none"> <li>• Achieved qualitative and quantitative targets for each developed vehicle in fiscal 2012</li> </ul>	○	62																																						
Production and logistics	(2) Reduce CO <sub>2</sub> emissions in production activities	<ul style="list-style-type: none"> <li>• Promote continuous development of energy conservation methods</li> </ul>	<ul style="list-style-type: none"> <li>• Promoted introduction of energy-conscious production lines such as a compact production line (reduced CO<sub>2</sub> emissions by 43% compared with previous lines)</li> </ul>	○	—																																						
	① Promote the development of production technologies with the aim of achieving a 30% reduction in CO <sub>2</sub> emissions of new production process	<ul style="list-style-type: none"> <li>• Reduce total CO<sub>2</sub> emissions per unit of sales by 1% (globally)</li> <li>• Reduce total amount by 1% (Japan)</li> </ul>	<ul style="list-style-type: none"> <li>• Reduced total CO<sub>2</sub> emissions per unit of sales by 3% (globally)</li> <li>• Reduced total amount by 4% (Japan)</li> </ul>	○	62																																						
	② Promote CO <sub>2</sub> emission reduction activities by making daily improvements	<ul style="list-style-type: none"> <li>• Promote plan for Toyota Boshoku to become self-sufficient in power in Japan</li> </ul>	<ul style="list-style-type: none"> <li>• Examined and completed proposal for plan to become self-sufficient in power</li> <li>• Completed formulation of plan to introduce renewable energy and co-generation systems</li> </ul>	○	63																																						
③ Utilise renewable energy giving consideration to the characteristics of each country and region	<ul style="list-style-type: none"> <li>• Promote activities that further raise transportation efficiency</li> </ul>	<ul style="list-style-type: none"> <li>• [Japan] Reduce total CO<sub>2</sub> emissions in logistics by 1% [Outside Japan]</li> <li>• The Americas: Start measuring ahead of activities to reduce CO<sub>2</sub></li> <li>• Asia &amp; Oceania, China, Europe &amp; Africa: Make plan for how to proceed</li> </ul>	<ul style="list-style-type: none"> <li>• [Japan] Reduced by 14% in Japan [Outside Japan]</li> <li>• The Americas: Completed establishment of framework for measuring</li> <li>• Asia &amp; Oceania, China, Europe &amp; Africa: Made plan of how to proceed ahead of establishment of framework at Toyota Boshoku</li> </ul>	○	64																																						
<CO <sub>2</sub> emissions in production and logistics>		<table border="1"> <thead> <tr> <th>Item</th> <th>Category</th> <th>Unit</th> <th>Fiscal 2012 targets</th> <th>Fiscal 2012 results</th> <th>Self-assessment</th> </tr> </thead> <tbody> <tr> <td rowspan="4">CO<sub>2</sub> emission</td> <td rowspan="3">Production</td> <td>Toyota Boshoku Corporation</td> <td>Emission</td> <td>t-CO<sub>2</sub></td> <td>65,951</td> <td>63,033</td> <td>○</td> </tr> <tr> <td>Basic unit</td> <td>t-CO<sub>2</sub>/100 million yen</td> <td>11.2</td> <td>10.3</td> <td>○</td> </tr> <tr> <td>Japan region</td> <td>Basic unit</td> <td>t-CO<sub>2</sub>/100 million yen</td> <td>9.8</td> <td>8.4</td> <td>○</td> </tr> <tr> <td>Toyota Boshoku group</td> <td>Basic unit</td> <td>t-CO<sub>2</sub>/100 million yen</td> <td>17.1</td> <td>16.2</td> <td>○</td> </tr> <tr> <td>Logistics</td> <td>Toyota Boshoku Corporation</td> <td>Emission</td> <td>t-CO<sub>2</sub></td> <td>5,486</td> <td>4,718</td> <td>○</td> </tr> </tbody> </table>	Item	Category	Unit	Fiscal 2012 targets	Fiscal 2012 results	Self-assessment	CO <sub>2</sub> emission	Production	Toyota Boshoku Corporation	Emission	t-CO <sub>2</sub>	65,951	63,033	○	Basic unit	t-CO <sub>2</sub> /100 million yen	11.2	10.3	○	Japan region	Basic unit	t-CO <sub>2</sub> /100 million yen	9.8	8.4	○	Toyota Boshoku group	Basic unit	t-CO <sub>2</sub> /100 million yen	17.1	16.2	○	Logistics	Toyota Boshoku Corporation	Emission	t-CO <sub>2</sub>	5,486	4,718	○			
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# 1. Environmental Management

## TOYOTA BOSHOKU Earth Charter

The Toyota Boshoku group promotes environmental preservation based on the spirit of the TOYOTA BOSHOKU Earth Charter, which was established in 2004. As a means of responding to current social trends and environmental changes, we updated the charter in November 2011 and incorporated a basic policy to promote initiatives that take into consideration conservation of biodiversity in various areas of our business activities.

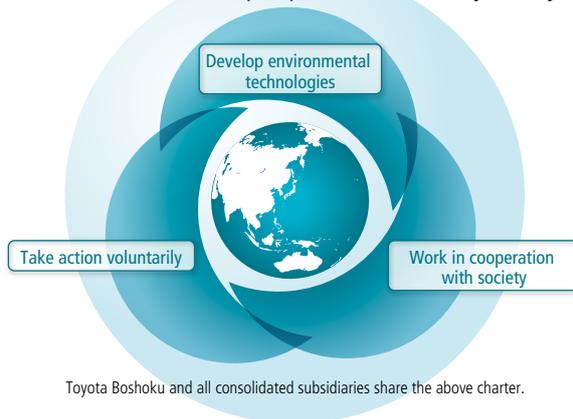
Based on this charter, we will make collective efforts as a group to focus further on preserving the global environment in order to realise a sustainable society.

### TOYOTA BOSHOKU Earth Charter

Corporate Philosophy

TOYOTA BOSHOKU Earth Charter

Contribute toward a prosperous 21st century society



Basic Policy of Biodiversity

Environmental Action Plan

## TOYOTA BOSHOKU Earth Charter

### Contribute toward a prosperous 21st century society

Aim for growth that is in harmony with the environment, and work to reduce environmental burdens throughout all areas of business activities. We will contribute toward realising a "sustainable society" by carrying out activities that take into consideration biodiversity and co-existence with nature.

### Develop environmental technologies

By seeking to tap the potential offered by environmental technologies, we will produce goods that are both comfortable and ecologically responsible. We will involve ourselves in the development of new technologies that can make worthwhile social contributions.

### Take action voluntarily

Develop a voluntary improvement plan based on thorough preventive measures and compliance with laws that address environmental issues while promoting continuous implementation toward global environmental conservation.

### Work in cooperation with society

Build close and cooperative relationships with a wide spectrum of individuals and organisations involved in environmental preservation, including related companies and industries.

Toyota Boshoku and all consolidated subsidiaries share the above Charter as the Toyota Boshoku group charter.

Based on the TOYOTA BOSHOKU Earth Charter, we will make collective efforts as a group to contribute to preserving the global environment in order to realise a sustainable society.

## Toyota Boshoku Basic Policy of Biodiversity

Conservation of biodiversity and sustainable use along with climate change countermeasures (global warming prevention) are essential environmental issues that should be promoted on a global scale.

The Toyota Boshoku group formulated the Toyota Boshoku Basic Policy of Biodiversity on November 3, 2011 in order to promote conservation of biodiversity based on the philosophy of the 10th meeting of the Conference of the Parties to the Convention on Biological Diversity (COP10). Through this policy, we will further focus on environmental preservation activities also from the perspective of conserving biodiversity in addition to continuously carrying out previous environmental preservation activities.

## Basic Concepts

We, as the Toyota Boshoku group, strive to achieve the maintenance of biodiversity and sustainable use of natural resources. We also contribute to achieving a society that co-exists with nature. We are undertaking efforts to reduce impacts on biodiversity and pursue the potential of environmental technologies that help to maintain biodiversity in all of our business activities.

## Action Guidelines

<b>1</b>	<p>Make the best use of nature: Pursue environmental technologies</p> <ul style="list-style-type: none"> <li>Development of technologies and prevalence of biological resources such as plant-derived materials</li> <li>Promote the development of technologies in recycling design and reduce the weight of automotive parts</li> <li>Enhance the management of chemical substances in products</li> </ul>
<b>2</b>	<p>Co-existence with nature: Consideration of the impact of business activities</p> <ul style="list-style-type: none"> <li>Make an effort to understand the impacts of our business activities, and continuously reduce these impacts</li> <li>Promote efficient utilisation of energy, resource saving and reduction of substances of concern</li> <li>Consideration of surrounding areas including land use</li> </ul>
<b>3</b>	<p>Nurture nature: Cooperation and collaboration with society</p> <ul style="list-style-type: none"> <li>Raise the biodiversity awareness of members and promote voluntary activities for the conservation of biodiversity</li> <li>Contribute to building a society to cultivate biodiversity such as promoting reforestation globally in cooperation with government, local communities and non-governmental organisations</li> </ul>
<b>4</b>	<p>Sharing of information: Disclosure and communication of information</p> <ul style="list-style-type: none"> <li>Share information with society regarding biodiversity conservation activities being carried out and their results</li> </ul>

## Promoting environmental management

The Toyota Boshoku group is continuously implementing global Environment Committee initiatives to strengthen and enhance environmental activities while continuing with independent programmes undertaken by Environmental Committees in respective regions. The group as a whole will continuously work to further promote environmental activities.

### Promotion system

In order to organisationally and systematically promote environmental activities, Toyota Boshoku has established an Environmental Committee. Under this structure, committees related to products and production, unit sessions at the practical level and project working groups have been created to promote ongoing environmental activities.

#### Environmental activity programme framework



In addition, the Toyota Boshoku Environment *Kaikaku* (reformation) (TB-EK) programme has been carried out since fiscal 2007 to promote these activities in a functional manner. In fiscal 2012, we also continued to actively promote unit session activities by function.

## Environmental accounting

The Toyota Boshoku group believes that it is important to assess the effectiveness of our investment and cost in terms of environmental preservation in order to improve the efficiency of administration and make rational decisions. The cost, economic and material effects of environmental preservation were calculated based on the *Environmental Accounting Guidelines* (2005 Version) issued by Japan's Ministry of the Environment.

### Cost of environmental preservation

In fiscal 2012, the environmental accounting of the Toyota Boshoku group recorded investment of 971 million yen, costs of 1,768 million yen and economic effects of 2,055 million yen.

### Economic effects of environmental preservation measures

The economic effects of our environmental preservation measures were calculated from three ascertained items that were based on a sound rationale. Deemed effects such as risk avoidance effects are not taken into account.

### Material effects of environmental preservation measures

Examples of improvements in waste reductions and reductions in CO<sub>2</sub> emissions are provided in this report on pages 62-67.

(Unit: Millions of yen)

Environmental accounting		Toyota Boshoku Corporation		Japan region		Regions outside Japan		
		Investment amount	Cost amount	Investment amount	Cost amount	Investment amount	Cost amount	
Business area cost	Pollution prevention	84	125	8	12	60	66	
	Global environmental conservation	384	131	60	22	35	20	
	Resource circulation	3	242	9	72	29	45	
Administration cost		19	162	20	28	26	70	
R&D cost/Social activity cost		233	758	1	4	0	10	
Environmental remediation cost		0	1	0	0	0	0	
Total		723	1,419	98	138	150	211	
		2,142		236		361		
		Total investment amount		971		Total costs		1,768

(Unit: Millions of yen)

Economic effects	Toyota Boshoku Corporation	Japan region	Regions outside Japan
Cost reduction through energy saving	54	5	42
Resource saving & reduction of waste disposal costs	541	54	1,040
Profit on sale of recycled materials	319	—	—
Total	914	59	1,082
Aggregate total	2,055		

Material effects	Toyota Boshoku Corporation	Japan region	Regions outside Japan
Energy saving (t-CO <sub>2</sub> )	3,400	189	8,352
Waste disposal (t)	1,128	11	880

Depreciation and amortisation is not included in the costs.

## Consolidated environmental management

The Toyota Boshoku group shares our environmental policy as well as collectively promotes environmental activities. We have been conducting activities in line with the 2015 Plan since fiscal 2011. In addition to developing a group-wide system for enhanced compliance and ongoing efforts to reduce CO<sub>2</sub> emissions and water consumption, we also established target values for waste emissions. In this way, efforts have been made to further bolster environmental conservation activities.

Additionally, in continuing on from fiscal 2011, we have been implementing various measures globally via our Environmental Committee, including expanding Toyota Boshoku group policy to respective regions, sharing and undertaking measures regarding issues and following up on promotion activities.

### CSR Committee for The Americas, Environmental Working Group

In addition to continuing to hold "treasure hunting" events since fiscal 2009, The Americas region conducted energy audits and other initiatives to further conserve energy.

In seeking to reduce water consumption, we are rolling out an improvement item matrix for water usage to each company and working to promote related activities in The Americas region.

### Safety & Health and Environmental Committee for Asia & Oceania

In the Asia & Oceania region, we are working to enhance mutual environmental awareness through reports on the status of environmental activities at each company as well as environmental patrols and inspections, and to swiftly cross develop exceptional initiatives and measures. We are also striving to continue with programmes to save energy and reduce waste by actively implementing environmental conservation activities.

### Safety & Health and Environmental Committee for China



Safety & Health and Environmental Committee for China

During fiscal 2012, the China region has successively promoted various activities at each company, including energy conservation and reducing the amount of water usage. As energy-saving initiatives, we improved the lighting and installed welding fume exhaust systems inside plants for two companies in the Tianjin area.

Moving ahead, we will actively implement environmental conservation activities.

### Environmental Committee for Europe & Africa

The Europe & Africa region verifies the progress of environmental activities at each company and the secretariat conducts environmental audits and undertakes efforts for realising mutual improvements. Committee members are regularly rotated in line with increases in the number of bases and regional initiatives are being appropriately deployed at new companies. Going forward, we will proactively conduct environmental activities centred on the committee.

### Safety & Health and Environmental Committee for Japan subsidiaries

In Japan (excluding Toyota Boshoku), we assigned a company to take charge of environmental audits and mutual improvements at each company and established a committee. With a focus on

## TOPICS

### Toyota Boshoku group Global Awards, Environmental Award

The Toyota Boshoku group presents awards to companies bases that have produced noteworthy environmental activities and results. This helps promote friendly competition through comparison with group-wide shared indicators with the aim of further raising the level of environmental conservation activities throughout the group.

Gold Prize: Toyota Boshoku Kyushu  
Silver Prize: Toyota Boshoku Shiga  
Bronze Prize: Toyota Boshoku South Africa  
Toyota Boshoku Australia  
Toyota Boshoku Toyohashi Plant



Award ceremony (Toyota Boshoku Australia)

### Toyota Boshoku Kyushu: Received Gold Prize at the Toyota Boshoku group Global Awards, Environmental Award

#### Aiming to be number one in SQCDE\* in the Toyota Boshoku group

At Toyota Boshoku Kyushu, environmental initiatives aim to eliminate waste and loss and promote effective utilisation of resources, serving as activities thought to lead to a stronger corporate structure.

Actions focus on strengthening basic unit management from an environmental aspect and creating sustainable plants. Particular efforts include reinforcing the environmental risk response system, promoting activities to reduce CO<sub>2</sub> emissions and waste through basic unit management, and activities to ensure a society in harmony with nature such as Eco-Forests in Seburi and Takatoriya.

Going forward, we will promote activities that encourage company members to think about the environment and take action in order to drive corporate growth and improve the natural environment.



Tree-planting activity (Miyata Plant)

\*Safety, Quality, Cost, Delivery, Ecology

reporting activities at each company, initiatives continuously carried out by the committee consisted of the cross development of activities and environmental auditing by Toyota Boshoku's Environment Division members.

In fiscal 2012, we created a group-wide "risk map" as part of efforts to achieve zero abnormalities and complaints. This has made it easier to identify all risks surrounding our production activities, and based on this, we conducted factory inspections.

We are committed to put into effect environmental conservation activities as we move forward.

### Status of building environmental management systems

The Toyota Boshoku group is working hard to build and maintain environmental management systems. As of March 2013, we had attained certification for our environmental management system at all 62 companies. TB Sewtech Kanto newly attained ISO 14001 accreditation in fiscal 2012. Please refer to the following website for more information.

URL: [www.toyota-boshoku.com/global/about/csr/management/iso/](http://www.toyota-boshoku.com/global/about/csr/management/iso/)

### Environmental risk management

At the Toyota Boshoku group, we are developing a risk map to prevent environmental accidents and pollution from occurring. Specifically, we are endeavouring to realise zero abnormalities and complaints by managing risk based on voluntary standards that are stricter than regulations require and identifying latent risks and taking preventive measures.

In fiscal 2012, zero abnormalities and complaints working groups continued to implement activities, checking and cross developing case examples via *genchi-genbutsu* (Go, see & study) as a preventive measure.

We will continue to implement risk management from the perspective of local residents, strengthen patrol standards for both inside and outside plants and further strengthen activities to ensure zero abnormalities and complaints.

### Environmental communication

The Toyota Boshoku group is committed to communication with local citizens.

Toyota Boshoku regularly invites representatives of local community associations and other residents to its plants for tours of the facilities and introduces eco-related initiatives. We will continue our efforts to undertake regular communication-based interaction with local communities and reflect opinions and desires in business and environmental preservation activities.

### Released environmental information

We focus on enhancing the content of the Toyota Boshoku Report and our corporate website and disclosing environmental information. Please see the following section on our website for details.

URL: <http://www.toyota-boshoku.com/global/about/csr/>

### Environmental education and awareness raising

The Toyota Boshoku group undertakes systematic environmental education through training for new hires, general training and training by job classification and workplace content.

In fiscal 2012, the Toyota Boshoku group held events during Environment Month in June and Energy Conservation Awareness Month in February. During Environment Month, cards incorporating the Toyota Boshoku group's environmental vision were distributed to all members to increase awareness of our environmental policy. During Energy Conservation Awareness Month, we invited an energy conservation team from Panasonic to further promote energy-saving and power-saving activities in our plants and offices. The team gave a lecture on improving earnings by saving energy as well as concrete energy conservation items. This enabled around 300 participants to deepen their understanding of energy conservation methods and measures.

### TOPICS

#### Provided education to Toyota Boshoku group environmental and safety staff

Between October 2012 and February 2013, environmental and safety managers from The Americas region, Asia & Oceania region, China region and Europe & Africa region came to Toyota Boshoku to learn about our environmental policy and initiatives.

Each course lasted a week and included study of Toyota Boshoku's activities as well as initiatives at wastewater treatment facilities and resource recycling centres inside plants. Participants also experienced the latest environmental technology via *genchi-genbutsu*, such as offices equipped with solar power generation systems and high-efficiency air conditioning.

We will continue to provide education to persons in charge of actual operations in each region while further strengthening the environmental management system of the Toyota Boshoku group and continuing to promote environmental conservation activities.



Staff from The Americas and Europe & Africa undergoing training

## Soil and groundwater purification at the Kariya Plant

At the Toyota Boshoku Kariya Plant, based on the "Provisional Guidelines for Soil and Groundwater" issued in 1994 by Japan's Ministry of the Environment, we have been conducting annual inspections for soil and groundwater contamination and are working to purify these resources since 1995.

With regard to the status of purification, we conduct regular monitoring and report the results of these measurements to the relevant administrative agency. Starting in 2001, we have been reporting to local communities at area social gatherings.

### Results of trichloroethylene measurements in fiscal 2012 (Environmental standard: 0.03mg/ℓ)

Name of plant	Concentration in groundwater within grounds	Current status
Kariya Plant	ND~0.014 (FY2010 results: ND~0.024 FY2011 results: ND~0.020)	Purification in progress

ND: Not detectable; under minimum quantity value (less than 0.002)

## PCB storage conditions

Polychlorinated biphenyls (PCBs) are now designated as prohibited substances. PCB wastes now being stored must be treated at designated treatment facilities no later than the end of March 2027.

We not only strictly manage stored PCBs in storage sheds designed to prevent concerns of PCBs leaking and permeating soils up to the completion of final disposal but also are progressing with safe, appropriate treatment of PCBs.

Plant where stored	Capacitors	Ballasts	Other
Gifu Plant	99	0	0
Oguchi Plant	22	21	Carbonless paper (80kg)
Gotemba Plant*1	4	314	0
Tokyo Plant	0	0	0
Tsuhishashi Plant	0	2	0

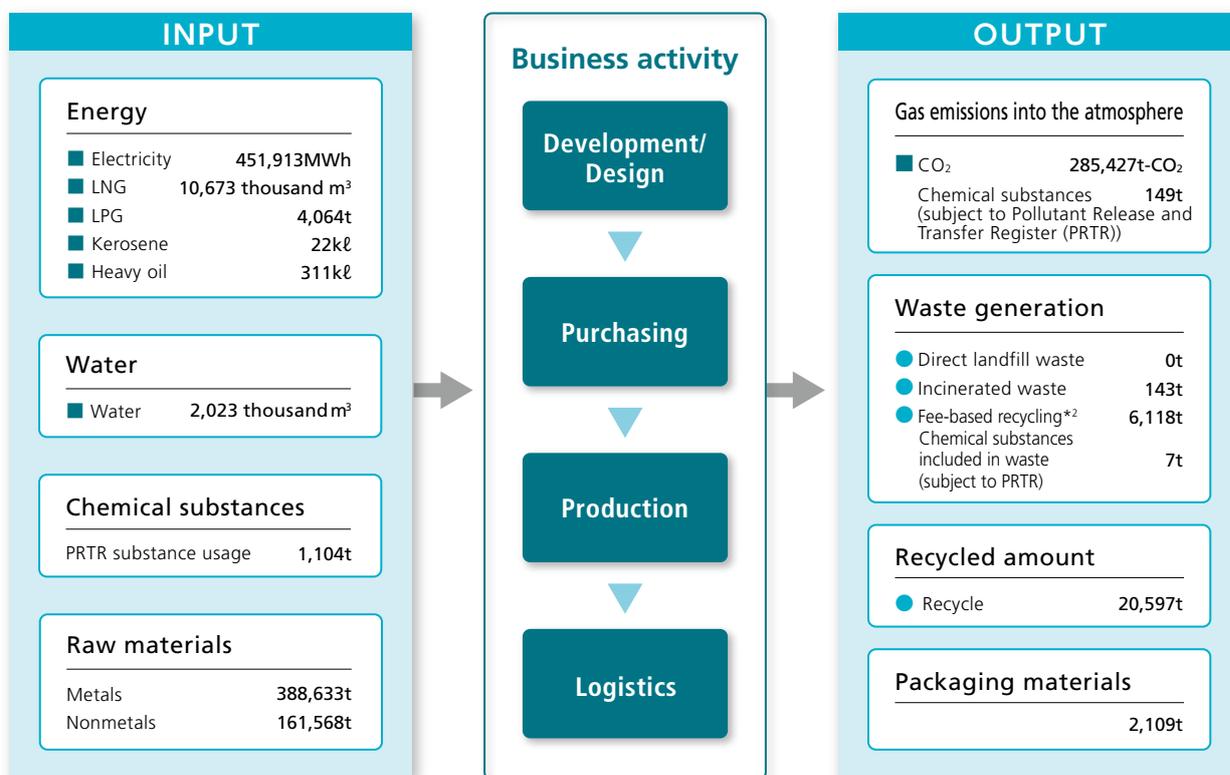
Among capacitors, ballasts and other equipment that are no longer used, those recognised as containing low concentrations of PCBs are now stored appropriately in the same manner that high-concentration PCB wastes already have been stored.

\*1 Currently only producing aftermarket parts

## Our business activities and the environment (Resource consumption for business activities and emissions causing environmental loads)

Resource consumption for business activities and emissions causing environmental loads in fiscal 2012

■ Total for Toyota Boshoku group ● Total for Japan region (including Toyota Boshoku Corporation). Others refers to Toyota Boshoku Corporation only.



\*2 Waste that is recycled for a fee

## 2. Development and Production Activities for the Realisation of a Low-Carbon Society

### Development and design

Toyota Boshoku aims to further improve environmental performance, safety and comfort in automobiles by promoting technological development for next-generation vehicles. In terms of environmental performance, in particular, we seek to enhance fuel efficiency by making automotive parts lighter and reducing heat loss by improving thermal insulation inside the cabin.

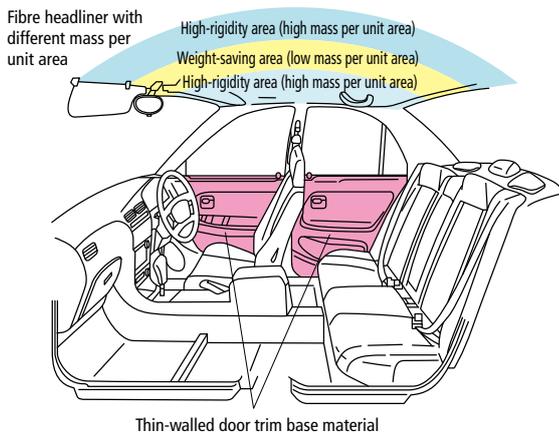
#### Making automotive parts lighter to increase fuel efficiency

Since 2007, we have been conducting four sessions to observe trends for seats, interior trims, filters and powertrains, as well as developments at other companies, and convening the Weight Saving Committee comprising special working groups aimed at reducing weight over the medium and long terms through advanced development. These efforts are focused on preserving the environment and strengthening global competitiveness.

During fiscal 2012, we promoted weight reduction of interior components such as seats. Continuing on from fiscal 2011, we succeeded in developing lightweight base materials for the headliner and door trim through efforts to make interior components lighter.

#### Fibre headliner with different mass per unit area

In fiscal 2012, our development aimed to reduce the weight of the headliner by 200g per vehicle. The key point was reducing the mass per unit area of the central part whereby a relatively low level of rigidity in the headliner would not pose a problem. Building on this success, we will propose commercialisation of this kind of headliner.



#### Thin-walled door trim

Development aimed to reduce the weight of the door trim base material by 1kg per vehicle. The key point was making the door trim base material thinner by enhancing the rigidity of the resin material. Building on this success, we will propose commercialisation of this kind of door trim.

The Toyota Boshoku group works to reduce CO<sub>2</sub> emissions in all areas, from development and design to production and logistics, in order to help prevent global warming and contribute to environmental preservation.

### Production and logistics

The Toyota Boshoku group is actively working to reduce CO<sub>2</sub> emissions in production and logistics processes.

#### Efforts to reduce CO<sub>2</sub> emissions

At the Toyota Boshoku group, we are continuously working to save energy. In fiscal 2012, we promoted energy-saving initiatives on a group-wide basis that included verifying the progress of energy conservation activities being implemented by committees in respective regions, beginning with the global Environment Committee, and continuously conducting energy audits. As a result, we achieved our target of 17.1t-CO<sub>2</sub>/100 million yen per basic unit in fiscal 2012 with a result of 16.2t-CO<sub>2</sub>/100 million yen.

CO<sub>2</sub> emissions in production process (Toyota Boshoku group)

[Fiscal 2012 target]

292.6  
thousand t-CO<sub>2</sub>

[Fiscal 2012 result]

285.4  
thousand t-CO<sub>2</sub>

### TOPICS

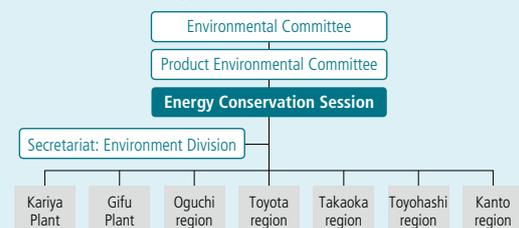
#### Energy-saving and power-saving activities at Toyota Boshoku

In fiscal 2012, the Energy Conservation Session continued to actively implement activities in conjunction with Toyota Boshoku and affiliates and suppliers in the Japan region to conserve electricity in the summer months in order to meet a request from the Ministry of Economy, Trade and Industry. With respect to concrete activities, we shared information on power conservation at Toyota Boshoku plants and in the Japan region once a week and checked the progress of activities at committee meetings once a month. As a result, we were able to achieve all targets.

From winter, we placed emphasis on minimising the amount of electricity consumed during standby mode by taking care to turn the equipment breaker switch off, which was very effective in saving energy.

Going forward, we will promote more energy-saving activities as a group led by the Energy Conservation Session.

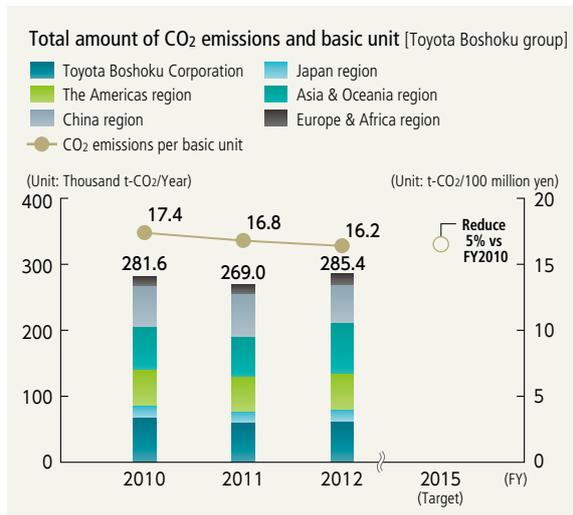
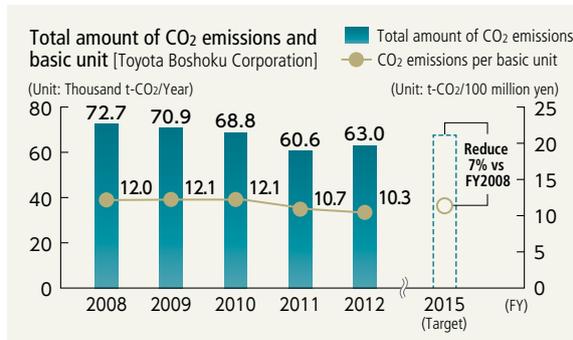
#### Toyota Boshoku Energy Conservation Promotion System



Energy-saving patrols (Takaoka Plant)

## Amount of CO<sub>2</sub> emissions and basic unit results

Toyota Boshoku continuously endeavours to conserve energy and power. In fiscal 2012, we promoted activities to save electricity and strengthened measures from a hardware perspective such as introducing energy-saving equipment. We also have made further improvement to the energy conservation item matrix consistently since fiscal 2011, making it easier to visualise the execution rate of these items in all Toyota Boshoku plants while helping to further promote their cross development. As a result, we achieved our CO<sub>2</sub> emission targets for fiscal 2012. Specifically, with regard to the total amount of CO<sub>2</sub> emissions, we achieved a result of 63,000t-CO<sub>2</sub> compared with our fiscal 2012 target of 65,900t-CO<sub>2</sub>. With regard to basic unit, we achieved 10.3t-CO<sub>2</sub>/100 million yen, bettering our target of 11.2t-CO<sub>2</sub>/100 million yen.



## Calculation of greenhouse gas emissions

With regard to the CO<sub>2</sub> conversion coefficient, we keep the electricity conversion coefficient constant in order to evaluate the effectiveness of voluntary improvements. Japanese group companies use the values provided in the following table, while group companies globally use values issued in each region in 2001. The amount of CO<sub>2</sub> reduced via co-generation is calculated using the average for thermal power, with the results reflecting emission amounts.

### CO<sub>2</sub> conversion coefficient

Fuel	CO <sub>2</sub> conversion coefficient
Purchased electricity	0.3707t-CO <sub>2</sub> /MWh
Heavy oil	2.6958t-CO <sub>2</sub> /kℓ
Kerosene	2.5316t-CO <sub>2</sub> /kℓ
City gas	2.1570t-CO <sub>2</sub> /thousand m <sup>3</sup>
LPG	3.004t-CO <sub>2</sub> /t

## Example of energy conservation: Japan

### Reduced CO<sub>2</sub> emissions by minimising charging time for battery-operated forklifts

Previously, the charger for forklifts was set for three hours even though it only takes around 30 minutes to complete a full charge. We implemented a measure to prevent this overcharging, which resulted in power savings and a reduction in CO<sub>2</sub> emissions.

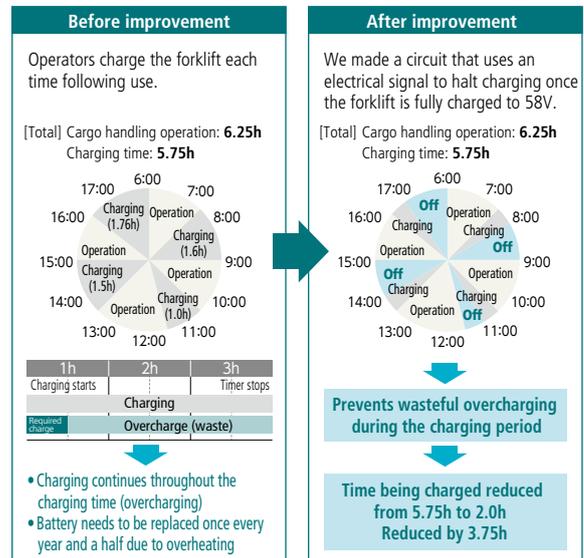
#### Members in charge of improvement



Environment Group, Sanage Safety & Environment Department, Sanage Manufacturing Management Division, Toyota Boshoku

Back, from left  
Group Manager  
Itsuhito Miyake Senior Expert  
Hideyasu Urano

Front, from left:  
Kenichi Maeda Imahide Takeda Wataru Mizuno



CO<sub>2</sub> emissions reduced by 4.90t-CO<sub>2</sub>/year after improvement

## Energy conservation activity: Europe & Africa region

### Toyota Boshoku South Africa holds "Energy Conservation Idea Contest"

In May 2012, Toyota Boshoku South Africa (TBSA) held a contest in which each of its worksites compiled energy-saving ideas into a report and poster. Gold, silver and bronze prizes were awarded to the best entries out of the many that were received. The recipients felt proud that their ideas were recognised in such a way, which served to heighten motivation to make further energy savings.

TBSA will work in unison to promote more activities to conserve energy based on ongoing efforts to increase awareness.



Gold prize in the poster category



Gold prize in the improvement category

## Reducing CO<sub>2</sub> emissions in logistics

In fiscal 2012, we regularly held logistics meetings that are ongoing from the previous year and checked the status of activities to reduce the number of delivery vehicles. Other efforts focused on further boosting load efficiency through mixed loads and cutting CO<sub>2</sub> emissions by switching to the most appropriate vehicle class according to the load amount. As a result, we achieved 8,243t-CO<sub>2</sub>, bettering our fiscal 2012 target of 9,083t-CO<sub>2</sub>.

We will work to promote reduction in CO<sub>2</sub> emissions in logistics by disseminating examples of improvements made.

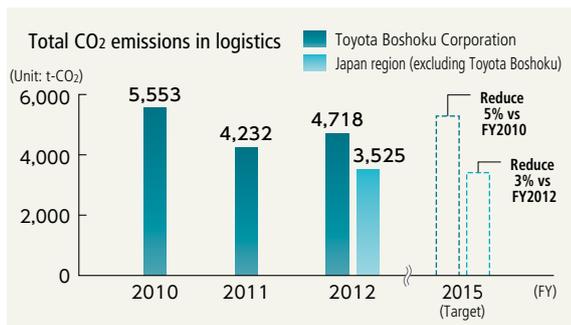
### Reducing CO<sub>2</sub> emissions in logistics (Japan region)

[Fiscal 2012 target]

9,083 t-CO<sub>2</sub>

[Fiscal 2012 result]

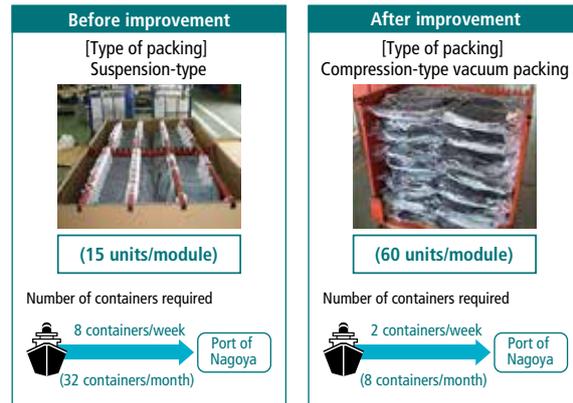
8,243 t-CO<sub>2</sub>



### Example of improvement in CO<sub>2</sub> emissions in logistics (Japan region, China region, Asia & Oceania region)

#### Improved logistics for seat covers

Previously, we imported seat covers to Japan using suspension-type packing to ensure quality during transportation, but CO<sub>2</sub> emissions and costs were relatively high due to the remote locations. Accordingly, we improved to compression-type vacuum packing, which enhanced load volume and reduced the number of deliveries.



#### [Verification of effects]

		Before improvement	After improvement
CO <sub>2</sub> emissions in logistics	Sea route	398.1t-CO <sub>2</sub> /Year	99.5t-CO <sub>2</sub> /Year
	Land route	114.4t-CO <sub>2</sub> /Year	28.6t-CO <sub>2</sub> /Year

**CO<sub>2</sub> emissions reduced by 384.4 t-CO<sub>2</sub>/year after improvement**

## TOPICS

### TB Logistics Service: Creation of a more efficient transport network – Established an environmentally friendly logistics centre

TB Logistics Service previously had four logistics sites in Aichi Prefecture within the network of Toyota Boshoku group manufacturing bases, but started building a new integrated logistics centre in September 2012 with the aims of creating a more efficient transport network and expanding future business. Operations got underway in April 2013.

As for initiatives to reduce CO<sub>2</sub> emissions in logistics, we will promote further consolidation of logistics sites in a step-wise manner and shorten transportation distances (refer to diagram below).

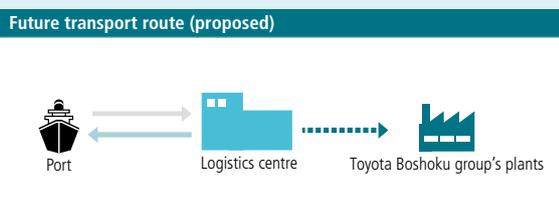
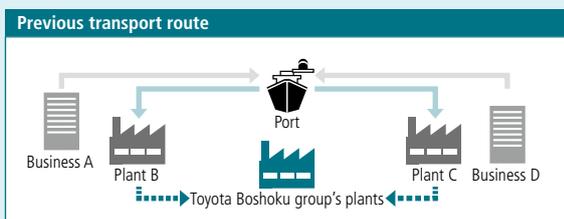
Regarding environment-related initiatives, we are setting up a tunnel for the shipping yard to control noise, placing greenery on the wall

surface and actively utilising natural energy via solar power generation systems in order to ensure business operations that are in harmony with the local community. The power generated is used at the logistics centre and sold for use in the community on the days the centre is not operating.

Going forward, we will work to promote further reductions in CO<sub>2</sub> emissions in logistics and develop the logistics centre in consideration of the community and the environment. We also plan to plant trees in the green belt around the centre together with local residents since it is accessible to the local community.



Green belt surrounding the logistics centre



# 3. Technology Development and Production Activities for Building a Recycling-Oriented Society

## Development and design

Since our first practical application of kenaf base material in door trims back in 2000, Toyota Boshoku has built up our kenaf business, from developing technology for seed cultivation to the commercialisation of kenaf-based automotive parts. Efforts are also being made to expand and make the use of kenaf widespread.

### Developing and expanding the use of plant-derived materials that can recycle CO<sub>2</sub>

#### Package tray trims base material

Toyota Boshoku has developed base material for package tray trims in an even lighter form than before by applying conventional kenaf technology.

An additive was combined with the polypropylene (PP) raw material to improve its compatibility with kenaf fibre. The improvement of the bond strength between the PP and the kenaf resulted in the development of base material (for sedans) that is 20% lighter compared with conventional parts, yet with the same strength. We also succeeded in reducing the weight by 50% for package tray trim base material for hatchbacks that was previously produced using a mix of wood powder and PP due to the need for high rigidity.

Application of the base material is being extended to door trims, seat back boards and deck boards.

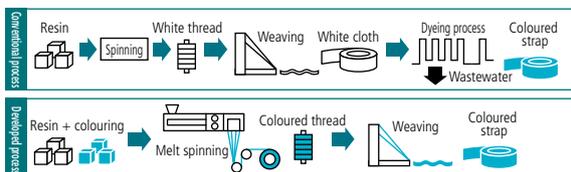


#### Aiming for zero dyeing wastewater from strap belts

Toyota Boshoku is developing a system to ensure that no wastewater is generated when dyeing strap belts as a means to reduce environmental load.

A large amount of water is required in the dyeing process for strap belts used in the reclining parts for rear seats, which includes dyeing, washing and rinsing. The water is purified to a level below a predetermined threshold at a processing facility, but not to the extent that it can be considered a viable water resource.

The colouring is mixed directly into the thread used in the strap and the coloured thread is woven using a melt spinning machine. The melt spinning process produces thread by heating and melting resin, which is the thread material, and then finely drawing out the softened resin. Producing coloured thread on a loom enables us to make coloured strap belts without the need for dyeing. Since the process does not require water, it causes minimal environmental load.

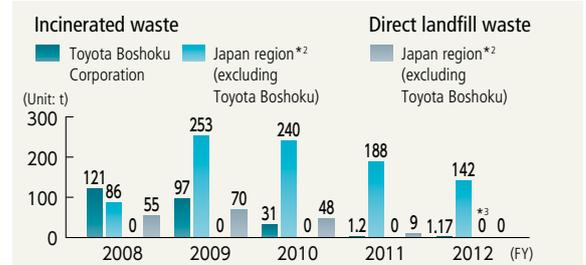
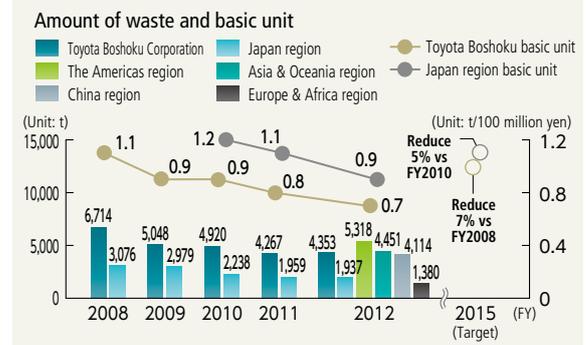
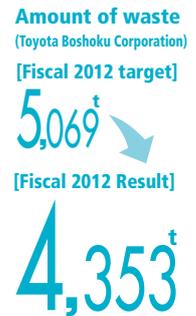


The Toyota Boshoku group incorporates the use of raw materials and other materials that can be recycled and considers product design and development with a view to the creation of a recycling-oriented society. We also work to reduce waste and water consumption in the production stage.

## Production and logistics

### Waste reduction efforts by the Toyota Boshoku group

Toyota Boshoku, led by the Waste Reduction Working Group, promoted activities using an item matrix to improve waste reduction and ways to transform waste into valuable items in the market. As a result, we achieved our target of 5,069t with a result of 4,353t. With regard to the basic unit for waste, we achieved a result of 0.7t/100 million yen compared with our target of 0.9t/100 million yen.



\*2 There were 17 such companies until fiscal 2010 and 15 since fiscal 2011.

\*3 Toyota Boshoku direct landfill waste for fiscal 2008, 2009, 2010, 2011 and 2012 was 0t.

### Example of waste reduction



#### Produced RSPP\*4 through effective utilisation of resources (waste)

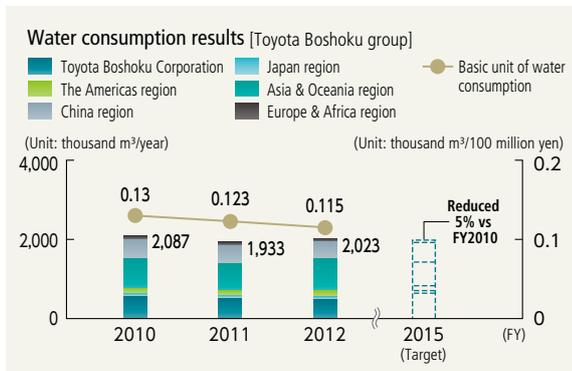
Toyota Boshoku has been producing RSPP by reusing shredder dust and subsequently reviewed the material used in RSPP in light of tighter laws and regulations. In an examination of substitute materials, we confirmed the possibility of reusing end materials from full fabric air filters and urethane that previously were disposed of as waste. The project team worked together to accumulate experience in material procurement and trial production. We plan to start production from 2013.

\*4 Recycled Sound-Proofing Products: Sound-proofing material for vehicles made from separated and recycled urethane and fibres from vehicle shredder dust

## Activities to reduce water consumption

From fiscal 2012, the Toyota Boshoku group continued, among other measures, to use rainwater and wastewater and conduct inspections for leaks. We achieved a result of 2,023 thousand m<sup>3</sup>/year compared with the target of 2,045 thousand m<sup>3</sup>/year for water consumption.

Going forward, we will actively promote activities to reduce water consumption throughout the Toyota Boshoku group and place value on limited water resources.

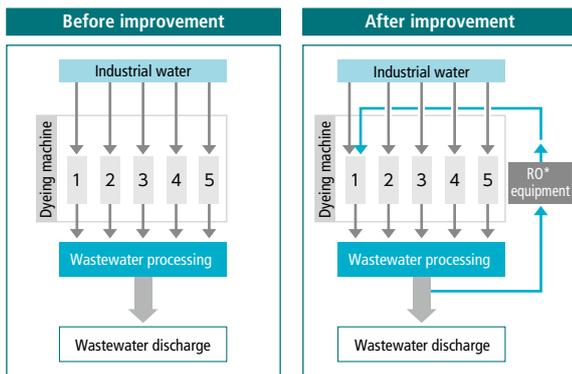


### Example of reducing water consumption

#### Reusing wastewater from the dyeing process

At STB Textiles Industry, an increase in production volume was accompanied by an increase in wastewater in the dyeing process (350m<sup>3</sup>/day), causing a significant burden on the wastewater facility of the industrial complex. In order to reduce this burden, the company looked into reusing the wastewater and succeeded in considerably reducing the amount by 200m<sup>3</sup>/day.

Moving ahead, we will continue to reuse wastewater and work to minimise environmental burden.



**Reduced water consumption by 4,400m<sup>3</sup>/month after improvement**

\*Reverse osmosis membrane

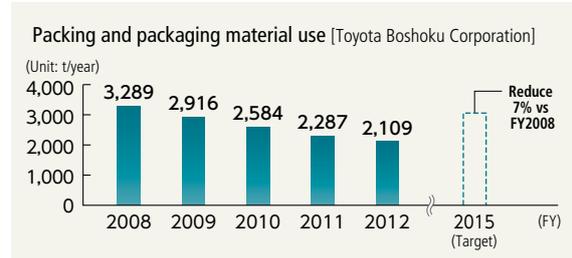
## Reducing the amount of packing and packaging materials

Toyota Boshoku uses packaging materials that have been agreed upon in advance with the customer when delivering aftermarket parts. We work to reduce the amount of packaging materials used with the aim of enabling more environmentally friendly packaging while keeping intact the quality of the product.

In fiscal 2012, we expanded several improvements made in the past group-wide and leveraged the know-how gained from our experience to find new items for improvement. One improvement concerned the seat cushion frame. We used past knowledge to switch to packaging material that eliminates the portion having no effect when delivering to customers.

On account of these different improvements in packaging, we achieved our target of 2,419t/year with a result of 2,109t/year in fiscal 2012.

Going forward, we will target cardboard packaging, an area in which we can make a significant reduction, and other packaging materials that we use in large quantity for shipping. We will implement activities in an effort to identify further improvement items and ensure environmentally friendly product packaging.



### Example of reducing packing and packaging material use

#### Reduced packaging material use by improving materials

We shifted from full flap packaging to short flap packaging after determining that there would be no impact on product quality and switched from double (8mm) to single (5mm) inner material used to strengthen the bottom. By doing so, we reduced packaging consumption by 1t per year.



**Number of items shipped/month: 216 Amount of packaging reduced: 1t/year**

President's Interview

Special Features

Global Challenge

Social Activities

Environmental Activities

Facts & Figures

# 4. Reduction of the Use of Substances with Environmental Impact and Carrying Out Social Activities in Co-Existence with the Natural Environment

## Development and design

### Switching to substances with even lower environmental impact

The Toyota Boshoku group inaugurated the REACH Subcommittee under the Product Environmental Committee in December 2007 to cooperate with relevant divisions and departments and ensure thorough compliance with the REACH regulation\*<sup>1</sup> in Europe. We are working to substitute Substances of Very High Concern (SVHC)\*<sup>2</sup> across the board. We are also promoting the creation of a system that can manage chemical substances contained in products so that we can respond immediately even when new SVHC are designated. Efforts will continue to be made to develop products that are environmentally friendly.

\*1 A regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) enforced in Europe in June 2007

\*2 Chemical substances for which there is concern that they may have impacts on the human body

### Measures to reduce Volatile Organic Compounds (VOC)

The Toyota Boshoku group established the VOC Subcommittee in June 2008. Thereafter, related departments, including development, production engineering, plant and logistics departments, collaborated to reduce VOC levels in the cabin space.

In fiscal 2012, we pursued mechanisms to measure VOC levels and promote the development of products with low VOC levels. We will continue our efforts to strengthen the VOC response system globally.

## Production

### Reducing emissions of chemical substances

The Toyota Boshoku group is promoting the identification and management of chemical substances based on the laws and regulations of each country in line with the concept to "use and produce chemicals in ways that minimise significant adverse effects on human health and the environment by 2020" advocated by the World Summit on Sustainable Development (WSSD). In light of tighter regulations, we will strengthen our management system by expanding applicable substances.

As an example, in our painting process, we actively promoted the shift to highly effective spray paint guns and to materials with a low level of chemical substances in fiscal 2012. Accordingly, with regard to PRTR substances\*<sup>3</sup>, we achieved our target of 153t with a result of 149t. In VOCs, we also surpassed our target of 571t with a result of 524t.

We will continue working to reduce the amount of chemical substances used and emissions.

\*3 PRTR Act Class I Designated Chemical Substances

VOC emissions  
(Toyota Boshoku)

[Fiscal 2012 target]

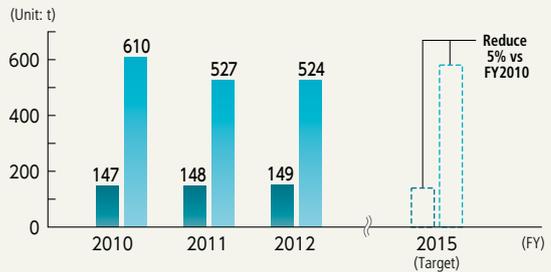
571<sup>t</sup>

[Fiscal 2012 result]

524<sup>t</sup>

The Toyota Boshoku group clearly identifies global trends in environmental laws and regulations and promotes activities to reduce substances with environmental impact in both products and production. We also implement activities to protect biodiversity to realise a society in harmony with nature.

### Emission of PRTR substances/VOCs



## Cooperation with society

### Promoting environmental and social contribution activities

The Toyota Boshoku group is striving to conserve biodiversity by protecting regional ecosystems and the habitats of rare living creatures through collaboration with communities.

#### The Americas region

##### "Green Cleaning"

Company members conduct cleanup activities around the plant prior to starting work. Going forward, we will promote environmental protection and regional contribution.



Participants from TB Sewtech De Mexico

#### Asia & Oceania region

##### Waterway cleanup activity

Company members teamed up with local residents and public officials to clean up the Kratumjae waterway near the company. We will aim to keep waterways beautiful into the future.



Participants from Toyota Boshoku Asia

#### China region

##### Eco activities

We participated in activities held in the region such as park cleanups. We will continue to enhance awareness of the importance of local beautification and promote environmental preservation activities.



Participants from Tianjin Kahou Automobile Decoration

#### Europe & Africa region

##### Cleanup activities

We cleaned up around a famous pond that is the habitat for a species of beaver together with a nature conservation group. Ongoing efforts will be made to protect the habitat.



Participants from Toyota Boshoku Europe

#### Japan region

##### Reforestation activities

We are promoting reforestation activities at Toyota Boshoku, Toyota Boshoku Kyushu, Toyota Boshoku Tohoku and Toyota Boshoku Shiga as Eco-Forests of the Toyota Boshoku group.



Pruning trees (Toyota Boshoku Shiga)

# Facts & Figures

## Financial Report & Corporate Information

Management's Discussion and Analysis of Financial Conditions and Operating Results	69
10-Year Financial Summary	71
Consolidated Balance Sheets	73
Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	75
Consolidated Statements of Changes in Net Assets	76
Consolidated Statements of Cash Flows	78
Product Lineup	79
Toyota Boshoku Group Network	81
Investor Information / Directors, Audit & Supervisory Board Members and Managing Officers	83

● Scope of Consolidation

The consolidated financial statements include the accounts for all subsidiaries. Refer to pages 81-82 for the corporate names of principal consolidated subsidiaries.

● Application of the Equity Method

Investments in all affiliates are accounted for by the equity method. Refer to page 82 for the corporate names of principal affiliates. The fiscal years for certain affiliates accounted for by the equity method are different from that of the Company. The Company is using the financial statements for their respective fiscal years.

# Management's Discussion and Analysis of Financial Conditions and Operating Results

## Overview of fiscal year

In the automobile industry during the fiscal year under review (year ended March 31, 2013), domestic demand moved towards a recovery due to the alleviation of supply constraints in the previous fiscal year caused by the impact of the Japan Earthquake and the flooding in Thailand. Nevertheless, uncertain circumstances persisted due to such factors as a decline in the volume of vehicle sales resulting from the termination of a subsidy programme for the purchase of eco-cars.

Under these circumstances, the Toyota Boshoku group made company-wide efforts to ambitiously undertake activities for securing new business without being tied to conventional frameworks and to build a strong business structure capable of responding to new business models.

While striving to expand new customers, we entered the field of hybrid vehicles, a market that is expected to grow. Additionally, we proactively undertook activities for securing orders in non-automobile businesses such as the railway car and aircraft fields.

Regarding the establishment of a business structure for new growth, we promoted technology alliances as we made steady progress in building a structure for proposing interior spaces that are excellent in terms of quietness for next-generation vehicles and for developing high added-value automobile interior components and new products.

Due to such factors as increased production and the impact of the correction of the yen, consolidated net sales of the Toyota Boshoku group increased 115,201 million yen (11.9%) to 1,079,497 million yen.

## Operating income

Despite such income-reducing factors as the impact of product price fluctuations as well as increases in labour costs and miscellaneous

expenses, operating income rose 4,392 million yen (21.0%) to 25,302 million yen owing to such factors as the effects of increased production and higher revenue in addition to the implementation of rationalisation measures.

## Non-operating income (expenses) and ordinary income

Non-operating income increased 3,965 million yen (44.5%) from the previous fiscal year to 12,879 million yen due to such factors as the effects of foreign exchange rates.

Non-operating expenses decreased 2,330 million yen (35.3%) to 4,267 million yen due to a decrease in loss on disposal of noncurrent assets.

As a result, ordinary income amounted to 33,914 million yen and the ordinary income margin was 3.1%.

## Extraordinary income or loss, Income taxes and Income taxes–deferred

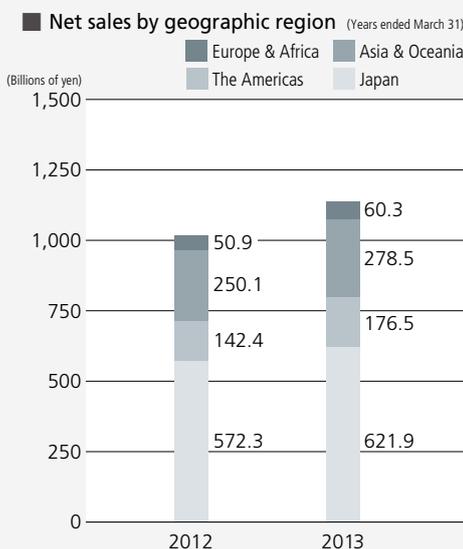
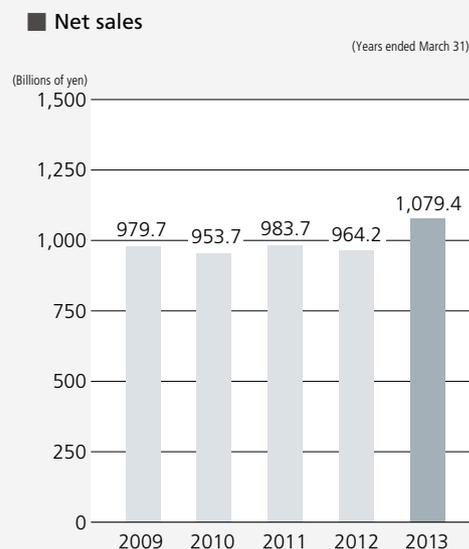
An extraordinary loss of 1,083 million yen was recorded due to such factors as expenses related to the shutdown of a plant.

Income taxes and income taxes–deferred decreased 204 million yen (1.8%) to 11,207 million yen.

The ratio of income before income taxes and minority interest decreased from 57.2% in the previous fiscal year to 34.1%.

## Minority interest in net income of subsidiaries

Minority interest in net income of subsidiaries increased 538 million yen (10.2%) to 5,830 million yen due mainly to a rise in profits at consolidated subsidiaries in Asia & Oceania.



\*Adjusted amounts for transactions among regions are not included.

## Net income

Net income increased 12,559 million yen (388.5%) to 15,792 million yen. Net income per share was 85.23 yen.

## Assets, liabilities and net assets

Total assets at fiscal year-end decreased 13,699 million yen to 583,955 million yen from the previous fiscal year-end due to a decrease in liquidity on hand and a decline in notes and accounts receivable—trade.

Total liabilities decreased 44,092 million yen from the end of the previous fiscal year to 363,214 million yen due to a decrease in long-term loans payable.

Total net assets increased 30,393 million yen from the end of the previous fiscal year to 220,740 million yen.

## Cash flows

Net cash provided by operating activities amounted to 44,474 million yen. Despite such cash-decreasing factors as a decrease in notes and accounts payable—trade of 28,613 million yen and income taxes paid of 12,520 million yen, the increase in cash resulted mainly from income before income taxes of 32,830 million yen, depreciation and amortisation of 32,774 million yen and a decrease in trade notes and accounts receivable of 28,306 million yen.

Net cash provided by investing activities was 5,826 million yen. Although there were such cash-reducing factors as purchase of property, plant and equipment of 35,203 million yen and payments into time deposits of 31,028 million yen, the increase in cash resulted from proceeds from withdrawals of time deposits of 51,723 million yen and proceeds from sales of securities of 20,000 million yen.

Net cash used in financing activities was 41,942 million yen. This was due mainly to such cash-reducing factors as repayments of long-term loans payable of 35,905 million yen and cash dividends paid to minority shareholders of 5,603 million yen.

As a result, cash and cash equivalents at end of year increased 15,375 million yen (13.5%) from the previous fiscal year-end to 129,323 million yen.

## Capital expenditures

During the fiscal year under review, total capital expenditures amounted to 36,805 million yen and these investments were concentrated on measures for new products and for rationalising and upgrading production facilities. These consisted mainly of capital expenditures at the Company as well as its consolidated subsidiaries in Asia and North America.

Capital expenditures in Japan amounted to 18,866 million yen and were for measures for new products, rationalising and upgrading production facilities and establishing a logistics centre for TB Logistics Service.

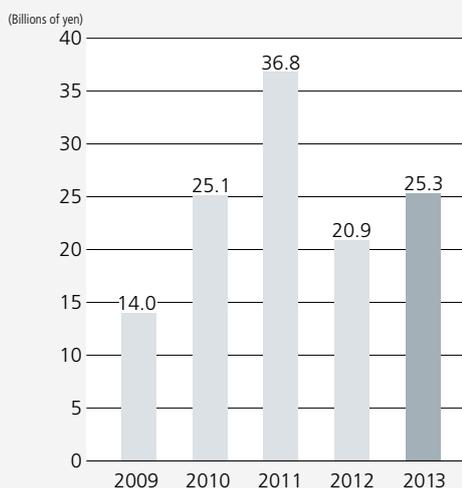
Capital expenditures in The Americas amounted to 5,222 million yen and were mainly for measures for new products and for rationalising and upgrading production facilities.

Capital expenditures in Asia & Oceania amounted to 9,316 million yen and were for measures for new products and rationalising and upgrading production facilities.

Capital expenditures in Europe & Africa were 3,399 million yen and were mainly for measures for new products, rationalising and upgrading production facilities and for production preparations at Boshoku Automotive Europe.

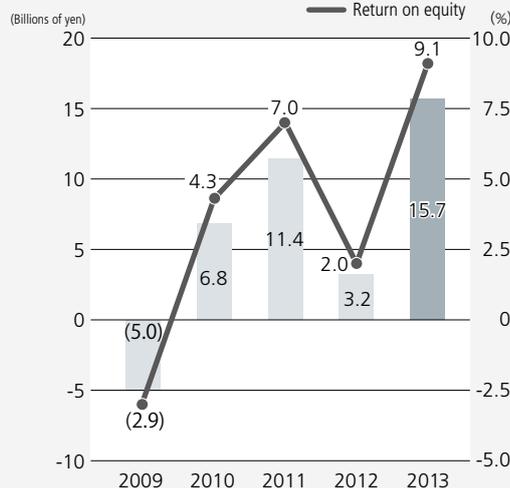
### Operating income

(Years ended March 31)



### Net income (loss)/Return on equity

(Years ended March 31)

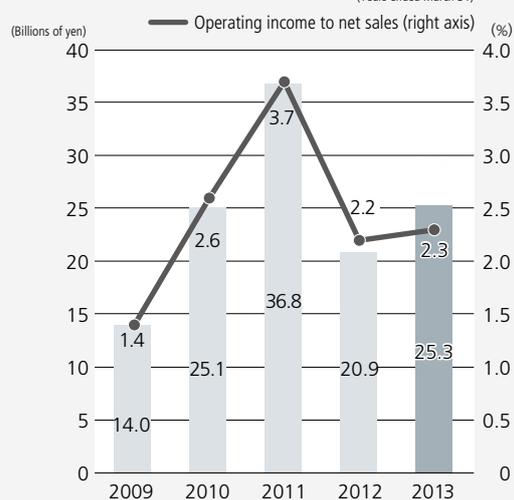


# 10-Year Financial Summary

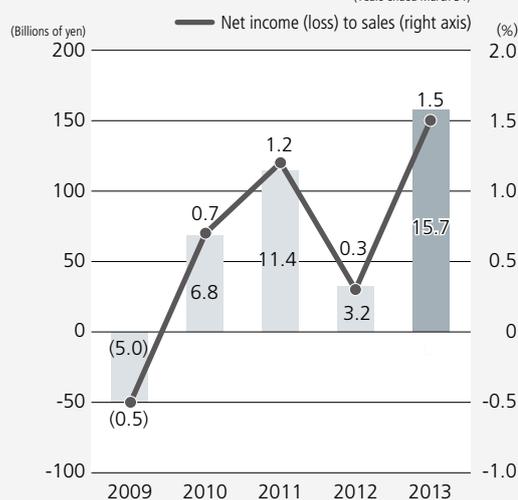
	2013	2012	2011	2010
Net sales	¥ 1,079,497	¥ 964,295	¥ 983,727	¥ 953,729
Operating income	25,302	20,910	36,856	25,143
Ordinary income	33,914	23,225	36,027	24,067
Net income (loss)	15,792	3,232	11,466	6,882
Total net assets	220,740	190,347	196,992	196,545
Capital stock	8,400	8,400	8,400	8,400
Total assets	583,955	597,654	504,472	546,486
Capital expenditures	36,805	37,583	41,229	43,076
Depreciation and amortisation	32,744	31,529	32,342	35,121
R&D expenses	36,321	32,543	32,434	30,021
<b>Per Share Data (Yen)</b>				
Net income (loss) (Basic)	¥ 85.23	¥ 17.45	¥ 61.82	¥ 37.00
Net income (Diluted) (Note 5)	—	—	61.82	37.00
Cash dividends	18.00	16.00	16.00	13.00
Net assets	1,010.49	868.93	890.78	883.96
<b>Financial Indicators (%)</b>				
Operating income to net sales	2.3	2.2	3.7	2.6
Ordinary income to net sales	3.1	2.4	3.7	2.5
Return on equity (ROE)	9.1	2.0	7.0	4.3
<b>Shareholders' Equity (at fiscal year-end)</b>				
Number of shares issued (Thousands)	187,665	187,665	187,665	187,665
Share price (Yen)	¥ 1,320	¥ 976	¥ 1,197	¥ 1,796
Market capitalisation (Millions of yen) (Note 6)	¥ 247,717	¥ 183,161	¥ 224,635	¥ 337,047
Number of employees	32,986	31,883	27,856	27,613

Notes 1. Despite the existence of latent shares, net income per share after adjustment for latent shares in fiscal 2009 is not stated because of a net loss per share.  
 2. Effective from 2007, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5) and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8) were applied.  
 3. Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former Toyota Boshoku Corporation (pre-merger), and figures for the second half (from October 1, 2004 to March 31, 2005) are for the new Toyota Boshoku Corporation.

■ Operating income/Operating income to net sales  
(Years ended March 31)



■ Net income (loss)/Net income (loss) to sales  
(Years ended March 31)



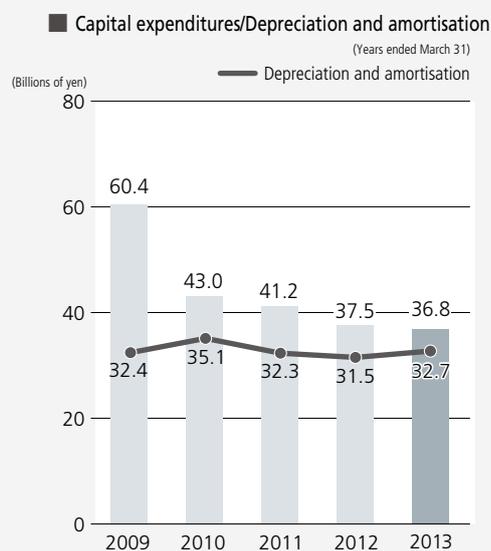
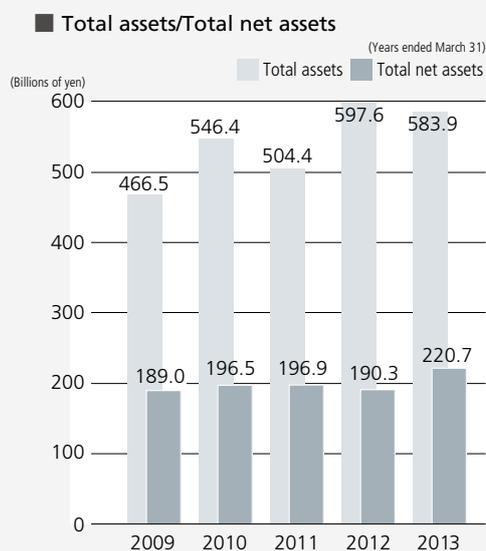
Millions of yen

	2009 (Note 1)	2008	2007 (Note 2)	2006	2005 (Note 3)	2004 (Note 4)
¥	979,775	¥ 1,233,789	¥ 1,082,755	¥ 877,596	¥ 456,311	¥ 118,553
	14,054	65,596	48,381	33,764	17,867	5,331
	13,292	65,696	52,143	37,838	19,109	5,314
	(5,064)	40,720	30,105	21,187	8,979	2,839
	189,038	226,880	197,797	133,279	109,470	29,396
	8,400	8,400	8,400	8,400	8,400	4,933
	466,506	527,622	464,747	396,691	311,655	71,433
	60,496	52,961	47,550	50,480	21,306	6,941
	32,493	32,940	29,377	21,344	14,273	5,774
	28,968	31,717	26,404	24,828	15,236	5,570
¥	(27.15)	¥ 217.76	¥ 160.76	¥ 111.60	¥ 68.65	¥ 40.95
	—	217.55	160.70	111.58	68.56	40.93
	20.00	35.00	24.00	16.00	12.00	9.00
	848.01	997.43	858.86	709.91	583.31	439.86
	1.4	5.3	4.5	3.8	3.9	4.5
	1.4	5.3	4.8	4.3	4.2	4.5
	(2.9)	23.5	20.5	17.5	12.9	10.1
	187,665	187,665	187,665	187,665	187,665	67,174
¥	1,011	¥ 2,985	¥ 2,790	¥ 1,984	¥ 2,630	¥ 899
¥	189,730	¥ 560,182	¥ 523,587	¥ 372,328	¥ 493,560	¥ 60,389
	27,078	26,942	24,643	21,132	18,068	3,494

4. Figures for 2004 are for the former Toyoda Boshoku Corporation.

5. With regard to diluted net income per share of common stock in 2012 and 2013, there were no latent shares with dilutive effects.

6. Market capitalisation is calculated by multiplying the number of outstanding shares at fiscal year-end by the share price at the end of the period.



# Consolidated Balance Sheets

As of March 31, 2013 and 2012

Millions of yen

Assets	2013	2012
<b>Current assets</b>		
Cash and deposits	¥ 88,566	¥ 101,650
Notes and accounts receivable—trade	138,251	154,029
Short-term investment securities	43,045	55,034
Merchandise and finished goods	6,259	4,564
Work in process	8,983	4,725
Raw materials and supplies	20,117	17,136
Deferred tax assets	5,857	4,572
Other current assets	28,637	30,620
Allowance for doubtful accounts	(436)	(281)
<b>Total current assets</b>	<b>339,282</b>	<b>372,052</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	155,599	144,920
Accumulated depreciation	(76,592)	(69,224)
Buildings and structures, net	79,006	75,696
Machinery, equipment and vehicles	252,033	227,628
Accumulated depreciation	(174,361)	(154,734)
Machinery, equipment and vehicles, net	77,671	72,893
Tools, furniture and fixtures	101,536	98,944
Accumulated depreciation	(90,554)	(87,515)
Tools, furniture and fixtures, net	10,981	11,428
Land	25,045	24,555
Lease assets	380	356
Accumulated depreciation	(219)	(215)
Lease assets, net	161	140
Construction in progress	12,050	5,118
<b>Total property, plant and equipment</b>	<b>204,916</b>	<b>189,832</b>
<b>Intangible assets</b>		
Goodwill	3,396	3,670
Other intangible assets	1,094	755
<b>Total intangible assets</b>	<b>4,491</b>	<b>4,426</b>
<b>Investments and other assets</b>		
Investments in securities	14,024	10,499
Deferred tax assets	15,711	15,148
Other investments	5,698	5,862
Allowance for doubtful accounts	(168)	(168)
<b>Total investments and other assets</b>	<b>35,265</b>	<b>31,342</b>
<b>Total noncurrent assets</b>	<b>244,673</b>	<b>225,602</b>
<b>Total assets</b>	<b>¥ 583,955</b>	<b>¥ 597,654</b>

Millions of yen

Liabilities and net assets	2013	2012
<b>Current liabilities</b>		
Notes and accounts payable—trade	¥ 141,790	¥ 158,305
Short-term loans payable	20,802	16,282
Current portion of long-term loans payable	21,047	35,181
Accrued expenses	35,255	37,771
Income taxes payable	5,652	4,527
Provision for product warranties	1,494	1,478
Provision for bonuses to directors and corporate auditors	262	191
Other current liabilities	20,251	18,465
<b>Total current liabilities</b>	<b>246,557</b>	<b>272,204</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	83,108	103,918
Allowance for employee retirement benefits	28,375	26,141
Provision for retirement benefits for directors and corporate auditors	598	860
Asset retirement obligation	298	323
Other noncurrent liabilities	4,275	3,857
<b>Total noncurrent liabilities</b>	<b>116,656</b>	<b>135,101</b>
<b>Total liabilities</b>	<b>363,214</b>	<b>407,306</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	8,400	8,400
Capital surplus	9,098	9,098
Retained earnings	189,273	176,630
Treasury stock	(4,675)	(4,675)
<b>Total shareholders' equity</b>	<b>202,096</b>	<b>189,454</b>
<b>Accumulated other comprehensive income</b>		
Net unrealised gains on other securities	1,233	785
Foreign currency translation adjustment	(16,083)	(29,224)
<b>Total accumulated other comprehensive income</b>	<b>(14,849)</b>	<b>(28,439)</b>
<b>Subscription rights to shares</b>	<b>802</b>	<b>972</b>
<b>Minority interests</b>	<b>32,690</b>	<b>28,360</b>
<b>Total net assets</b>	<b>220,740</b>	<b>190,347</b>
<b>Total liabilities and net assets</b>	<b>¥ 583,955</b>	<b>¥ 597,654</b>

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

For the years ended March 31, 2013 and 2012

## Consolidated Statements of Income

Millions of yen

	2013	2012
Net sales	¥ 1,079,497	¥ 964,295
Cost of sales	986,340	885,098
Gross profit	93,156	79,196
<b>Selling, general and administrative expenses</b>		
Transportation and warehousing expenses	7,359	6,762
Salaries and bonuses	23,209	19,876
Welfare expenses	4,059	3,682
Retirement benefit expenses	881	915
Provision for bonuses to directors and corporate auditors	261	204
Provision for directors' retirement benefits	169	308
Taxes and dues	1,920	1,437
Depreciation	3,013	3,042
Research and development expenses	3,131	1,839
Amortisation of goodwill	1,434	1,413
Other selling, general and administrative expenses	22,411	18,804
<b>Total selling, general and administrative expenses</b>	<b>67,854</b>	<b>58,286</b>
Operating income	25,302	20,910
<b>Non-operating income</b>		
Interest income	1,472	1,334
Dividends income	64	55
Rental income on noncurrent assets	749	784
Equity in net earnings of affiliates	791	1,177
Foreign exchange gains	4,650	—
Gain on valuation of derivatives	—	36
Other non-operating income	5,149	5,523
<b>Total non-operating income</b>	<b>12,879</b>	<b>8,913</b>
<b>Non-operating expenses</b>		
Interest expenses	1,747	1,766
Loss on disposal of noncurrent assets	352	664
Depreciation	915	1,163
Foreign exchange losses	—	120
Other non-operating expenses	1,251	2,882
<b>Total non-operating expenses</b>	<b>4,267</b>	<b>6,598</b>
Ordinary income	33,914	23,225
<b>Extraordinary loss</b>		
Loss from disaster	—	3,288
Expenses related to the shutdown of plant	967	—
Loss on valuation of investments in capital	116	—
<b>Total extraordinary loss</b>	<b>1,083</b>	<b>3,288</b>
Income before income taxes	32,830	19,937
Income taxes—current	13,027	11,738
Income taxes—deferred	(1,820)	(325)
Total income taxes	11,207	11,412
Net income before minority interests	21,623	8,524
Minority interest in net income of subsidiaries	5,830	5,291
Net income	¥ 15,792	¥ 3,232
<b>Consolidated Statements of Comprehensive Income</b>		
Net income before minority interests	¥ 21,623	¥ 8,524
<b>Other comprehensive income</b>		
Net unrealised gains (losses) on other securities	432	126
Foreign currency translation adjustments	15,619	(4,690)
Amount corresponding to equity interest in equity method affiliates	596	(174)
<b>Total other comprehensive income</b>	<b>16,648</b>	<b>(4,738)</b>
Comprehensive income	38,271	3,786
<b>(Breakdown)</b>		
Comprehensive income attributable to parent company shareholders	29,382	(1,269)
Comprehensive income attributable to minority shareholders	8,888	5,056

# Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2012

Millions of yen

	2013	2012
<b>Shareholders' equity</b>		
<b>Capital stock</b>		
Balance at beginning of year	¥ 8,400	¥ 8,400
Changes of items during the year		
Total changes of items during the year	—	—
<b>Balance at end of year</b>	<b>8,400</b>	8,400
<b>Capital surplus</b>		
Balance at beginning of year	9,098	9,098
Changes of items during the year		
Total changes of items during the year	—	—
<b>Balance at end of year</b>	<b>9,098</b>	9,098
<b>Retained earnings</b>		
Balance at beginning of year	176,630	176,177
Changes of items during the year		
Dividends from surplus	(3,150)	(2,779)
Net income	15,792	3,232
Total changes of items during the year	12,642	453
<b>Balance at end of year</b>	<b>189,273</b>	176,630
<b>Treasury stock</b>		
Balance at beginning of year	(4,675)	(4,675)
Changes of items during the year		
Purchase of treasury stock	(0)	(0)
Total changes of items during the year	(0)	(0)
<b>Balance at end of year</b>	<b>(4,675)</b>	(4,675)
<b>Total shareholders' equity</b>		
Balance at beginning of year	189,454	189,001
Changes of items during the year		
Dividends from surplus	(3,150)	(2,779)
Net income	15,792	3,232
Purchase of treasury stock	(0)	(0)
Total changes of items during the year	12,642	453
<b>Balance at end of year</b>	<b>¥ 202,096</b>	¥ 189,454

President's Interview

Special Features

Global Challenge

Social Activities

Environmental Activities

Facts & Figures

Millions of yen

	2013	2012
<b>Accumulated other comprehensive income</b>		
<b>Net unrealised gains on other securities</b>		
Balance at beginning of year	¥ 785	¥ 657
Changes of items during the year		
Net changes of items other than shareholders' equity during the year	448	127
<b>Total changes of items during the year</b>	<b>448</b>	<b>127</b>
<b>Balance at end of year</b>	<b>1,233</b>	<b>785</b>
<b>Foreign currency translation adjustment</b>		
Balance at beginning of year	(29,224)	(24,594)
Changes of items during the year		
Net changes of items other than shareholders' equity during the year	13,141	(4,630)
<b>Total changes of items during the year</b>	<b>13,141</b>	<b>(4,630)</b>
<b>Balance at end of year</b>	<b>(16,083)</b>	<b>(29,224)</b>
<b>Total accumulated other comprehensive income</b>		
Balance at beginning of year	(28,439)	(23,936)
Changes of items during the year		
Net changes of items other than shareholders' equity during the year	13,589	(4,502)
<b>Total changes of items during the year</b>	<b>13,589</b>	<b>(4,502)</b>
<b>Balance at end of year</b>	<b>(14,849)</b>	<b>(28,439)</b>
<b>Subscription rights to shares</b>		
Balance at beginning of year	972	872
Changes of items during the year		
Net changes of items other than shareholders' equity during the year	(169)	99
<b>Total changes of items during the year</b>	<b>(169)</b>	<b>99</b>
<b>Balance at end of year</b>	<b>802</b>	<b>972</b>
<b>Minority interests</b>		
Balance at beginning of year	28,360	31,055
Changes of items during the year		
Net changes of items other than shareholders' equity during the year	4,330	(2,695)
<b>Total changes of items during the year</b>	<b>4,330</b>	<b>(2,695)</b>
<b>Balance at end of year</b>	<b>32,690</b>	<b>28,360</b>
<b>Total net assets</b>		
Balance at beginning of year	190,347	196,992
Changes of items during the year		
Dividends from surplus	(3,150)	(2,779)
Net income	15,792	3,232
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity during the year	17,750	(7,098)
<b>Total changes of items during the year</b>	<b>30,393</b>	<b>(6,645)</b>
<b>Balance at end of year</b>	<b>¥ 220,740</b>	<b>¥ 190,347</b>

# Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2012

Millions of yen

	2013	2012
<b>Cash flows from operating activities</b>		
Income before income taxes	¥ 32,830	¥ 19,937
Depreciation and amortisation	32,774	31,529
Amortisation of negative goodwill	1,434	1,413
Increase (decrease) in allowance for doubtful accounts	102	(138)
Increase in provision for employee retirement benefits	1,863	2,302
Interest and dividends income	(1,537)	(1,390)
Interest expenses	1,747	1,766
Foreign exchange loss	(2,759)	228
Equity in earnings of affiliates	(791)	(1,177)
Gain on sales of property, plant and equipment	(978)	(363)
Loss on disposal of property, plant and equipment	352	664
Decrease (increase) in trade notes and accounts receivable	28,306	(41,549)
Decrease (increase) in inventories	(5,952)	(1,256)
Increase (decrease) in accounts receivable—other	3,045	(9,155)
Increase (decrease) in notes and accounts payable—trade	(28,613)	46,818
Increase (decrease) in accounts payable—other	(2,015)	1,336
Increase (decrease) in accrued expenses	(3,556)	5,241
Others	(223)	(392)
<b>Sub-total</b>	<b>56,029</b>	<b>55,813</b>
Interest and dividend income received	2,842	3,280
Interest expenses paid	(1,877)	(1,741)
Income taxes paid	(12,520)	(10,431)
<b>Net cash provided by operating activities</b>	<b>44,474</b>	<b>46,920</b>
<b>Cash flows from investing activities</b>		
Purchase of securities	—	(20,000)
Proceeds from sales of securities	20,000	—
Purchase of property, plant and equipment	(35,203)	(35,675)
Proceeds from sales of property, plant and equipment	4,345	1,634
Purchase of investments in securities	(3,192)	(166)
Purchase of subsidiaries' shares resulting in changes in scope of consolidation	(434)	(3,838)
Payments of loans receivable	(118)	(401)
Collection of loans receivable	65	199
Payments into time deposits	(31,028)	(42,474)
Proceeds from withdrawal of time deposits	51,723	24,984
Others	(329)	(372)
<b>Net cash provided by (used in) investing activities</b>	<b>5,826</b>	<b>(76,108)</b>
<b>Cash flows from financing activities</b>		
Net decrease in short-term loans payable	2,392	7,287
Proceeds from long-term loans payable	301	44,982
Repayments of long-term loans payable	(35,905)	(11,555)
Cash dividends paid	(3,148)	(2,781)
Cash dividends paid to minority shareholders	(5,603)	(7,510)
Proceeds from stock issuance to minority shareholders	24	346
Others	(3)	(21)
<b>Net cash provided by (used in) financing activities</b>	<b>(41,942)</b>	<b>30,748</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>7,015</b>	<b>(1,562)</b>
<b>Net increase in cash and cash equivalents</b>	<b>15,375</b>	<b>(3)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>113,947</b>	<b>113,950</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 129,323</b>	<b>¥ 113,947</b>

President's Interview

Special Features

Global Challenge

Social Activities

Environmental Activities

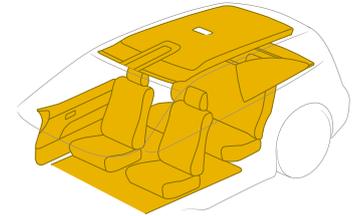
Facts & Figures

# Product Lineup

We deliver high value-added products to customers all around the world.

## Interior Components

Toyota Boshoku takes a comprehensive approach in developing the entire concept of interior spaces, from the development stage to design, procurement and production, as an interior system supplier for automobile manufacturers. In our pursuit to achieve comfortable, safe and attractive interiors, we provide integrated and effectively coordinated interior space systems comprised of seats, door trims, headliners, floor carpets and other components.



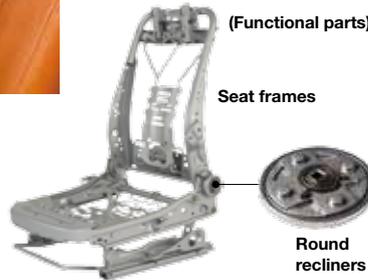
Interior systems

Seats



(Functional parts)

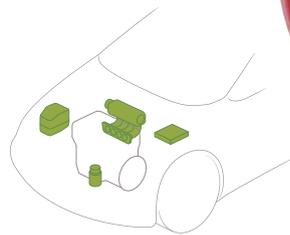
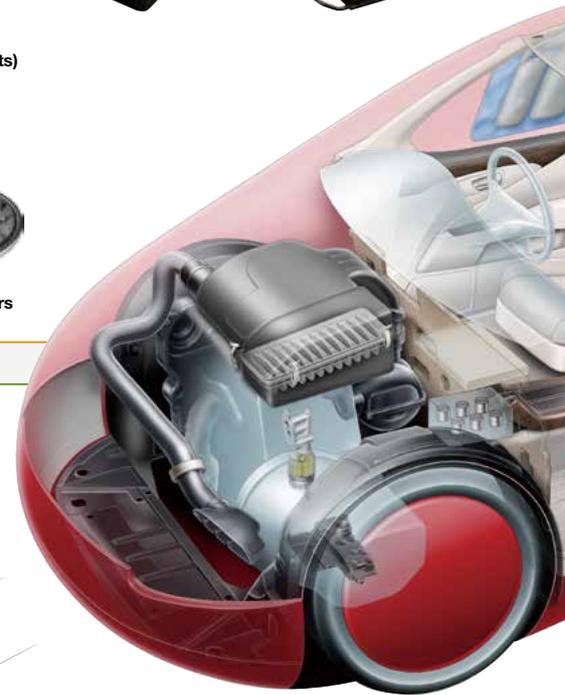
Seat frames



Round recliners

## Filtration and Powertrain Components

Using world-leading filtration technology, Toyota Boshoku produces air induction system products, lubricating system products for engines such as oil filters with replaceable elements, vehicle air conditioning filtration system products and other products. Toyota Boshoku is working to develop and manufacture even higher added-value products that match the needs of society, including products that deliver enhanced performance and lower costs as well as modularised, systemised and environmentally friendly responsive products with improved comfort.



Air induction systems

By developing engine intake parts such as the air cleaner, intake manifold and cylinder head cover as a single system, weight reduction and a more compact design are realised while also contributing to improved engine performance.



Air cleaners



Intake manifolds



Intake manifold for horizontally opposed engine



Air filters



Automatic transmission fluid filters



Cabin air filters



Oil filters



Motor core constituent parts for hybrid systems



Door trims



Headliners



Headliner illumination



Floor carpets



Package trays



Silencers



Leather instrument panels



Electric sunshade systems



Centre floor consoles



Seat fabrics



Strap belts and seatbelt webbings

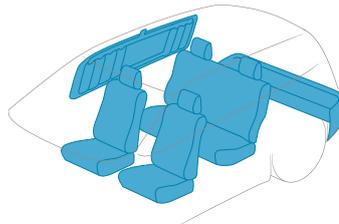


Partition nets

## Textiles and Exterior Components

In the textile business, one of our original businesses, Toyota Boshoku develops materials such as seat fabrics, fabrics for airbags and cabin headliner materials while undertaking concerted efforts that give full consideration to creating environmentally friendly products.

Also, in the exterior components business, we manufacture bumpers, fender liners and engine undercovers.



Engine undercovers



Curtain-shield airbags



Bumpers



Fender liners

# TOYOTA BOSHOKU Group Network

## The Americas



### Regional Management & Collaboration Hub

#### U.S.A.

- 1 TOYOTA BOSHOKU AMERICA

### Production entities

#### U.S.A.

- 2 ARJ MANUFACTURING
- 3 AUTOMOTIVE TECHNOLOGY SYSTEMS
- 4 SYSTEMS AUTOMOTIVE INTERIORS
- 5 TBDN TENNESSEE
- 6 TOYOTA BOSHOKU INDIANA
- 7 TOYOTA BOSHOKU KENTUCKY
- 8 TOYOTA BOSHOKU MISSISSIPPI
- 9 TRIM MASTERS
- 10 TB KAWASHIMA USA

#### Canada

- 11 TOYOTA BOSHOKU CANADA

#### Mexico

- 12 TB DE MEXICO
- 13 TB SEWTECH DE MEXICO

#### Brazil

- 14 TOYOTA BOSHOKU DO BRASIL

#### Argentina

- 15 MASTER TRIM DE ARGENTINA

## Asia & Oceania



### Regional Management & Collaboration Hub

#### Thailand

- 1 TOYOTA BOSHOKU ASIA

### Production entities

#### Thailand

- 2 S.K. AUTO INTERIOR
- 3 STB TEXTILES INDUSTRY
- 4 THAI SEAT BELT
- 5 TOYOTA BOSHOKU FILTRATION SYSTEM (THAILAND)
- 6 TOYOTA BOSHOKU GATEWAY (THAILAND)
- 7 TOYOTA BOSHOKU SIAM METAL
- 8 TB KAWASHIMA (THAILAND)

#### India

- 9 TOYOTA BOSHOKU AUTOMOTIVE INDIA
- 10 TB KAWASHIMA AUTOMOTIVE TEXTILE (INDIA)

#### Indonesia

- 11 TOYOTA BOSHOKU INDONESIA
- 12 ATEJA KAWASHIMA AUTOTEX

#### Malaysia

- 13 TOYOTA BOSHOKU UMW

#### Philippines

- 14 TOYOTA BOSHOKU PHILIPPINES

#### Taiwan

- 15 SHIN SAN SHING

#### Vietnam

- 16 TOYOTA BOSHOKU HAIPHONG
- 17 TOYOTA BOSHOKU HANOI

#### Australia

- 18 TOYOTA BOSHOKU AUSTRALIA
- 19 TB KAWASHIMA AUSTRALIA
- 20 AUSTRALIAN FABRIC LAMINATORS

#### Laos

- 21 TOYOTA BOSHOKU LAO

#### Pakistan

- 22 THAL BOSHOKU PAKISTAN

## China



### Regional Management & Collaboration Hub

#### China

- 1 TOYOTA BOSHOKU (CHINA)

### Production entities

- 2 CHANGCHUN FAWAY TOYOTA BOSHOKU AUTO PARTS
- 3 CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS
- 4 FENG'AI (GUANGZHOU) AUTO SEAT PARTS
- 5 GUANGZHOU INTEX AUTO PARTS
- 6 HEYUAN TOYOTA BOSHOKU AUTOMOTIVE PARTS
- 7 KUNSHAN TOYOTA BOSHOKU AUTOMOTIVE PARTS
- 8 NINGBO ARACO
- 9 SHANGHAI TOYOTA BOSHOKU AUTOMOTIVE PARTS
- 10 SHENYANG TOYOTA BOSHOKU AUTOMOTIVE PARTS
- 11 TIANJIN FENG'AI AUTOMOTIVE SEAT PARTS
- 12 TIANJIN INTEX AUTO PARTS
- 13 TIANJIN KAHOU AUTOMOBILE DECORATION
- 14 TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS
- 15 TOYOTA BOSHOKU FOSHAN
- 16 KAWASHIMA TEXTILE MANUFACTURES (SHANGHAI)
- 17 KUNSHAN SHENGHE MOBILE DECORATION
- 18 SEIWA SEAT COVERS (BENGBU)
- 19 SHANGHAI KAWASHIMA SHENDA DYEING AND FINISHING

## Europe & Africa



### Regional Management & Collaboration Hub

#### Belgium

1 TOYOTA BOSHOKU EUROPE

#### Development site

#### Italy

2 TOYOTA BOSHOKU MILAN DESIGN BRANCH

#### Production entities

#### Germany

3 BOSHOKU AUTOMOTIVE EUROPE

#### France

4 TOYOTA BOSHOKU FRANCE

5 TOYOTA BOSHOKU SOMAIN

#### Poland

6 BOSHOKU AUTOMOTIVE POLAND

7 TBAI POLAND

8 TBMECA POLAND

#### Russia

9 TOYOTA BOSHOKU

#### Slovakia

10 TRIM LEADER

#### Czech

11 BOSHOKU AUTOMOTIVE CZECH

#### Turkey

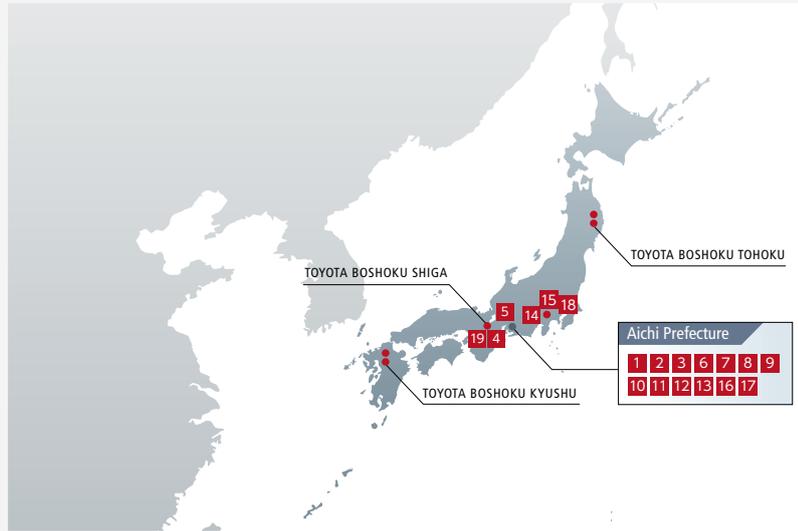
12 TOYOTA BOSHOKU TURKEY

13 TB SEWTECH TURKEY

#### South Africa

14 TOYOTA BOSHOKU SOUTH AFRICA

## Japan



### Global Mainstay Hub

1 Global Mainstay Hub

### Plants and Offices in Japan

1 Kariya Plant

2 Oguchi Plant

3 Kisogawa Plant

4 Inabe Plant

5 Gifu Plant

6 Sanage Plant

7 Fujioka Plant

8 Takaoka Plant

9 Tsutsumi Plant

10 Toyohashi-Kita Plant

11 Toyohashi-Minami Plant

12 Toyohashi-Higashi Plant

13 Tahara Plant

14 Fujisusono Plant

15 Tokyo Plant

16 Tsuchihashi Plant

17 Tsutsumi-Kita Part Centre

18 Tokyo Office

19 Osaka Marketing Office

### Production Entities

#### Subsidiaries

KYOEI ARACO

COWERK

TOYOTA BOSHOKU KYUSHU

TOYOTA BOSHOKU SHIGA

TOYOTA BOSHOKU TOHOKU

TB SEWTECH KANTO

TB SEWTECH KYUSHU

TB SEWTECH TOHOKU

TB KAWASHIMA

SEIWA

#### Affiliates

TOKAI CHEMICAL INDUSTRIES

TOYOTA BODY SEIKO

NARUCO

HIGH NEED INDUSTRY

#### Others

TB ENGINEERING

TB CREATE STAFF

TB CORPORATE SERVICE

TB TECHNOGREEN

TB LOGISTICS SERVICE

TB UNIFASHION

TECHNICAL LINKS DESIGN

# Investor Information / Directors, Audit & Supervisory Board Members and Managing Officers

As of March 31, 2013

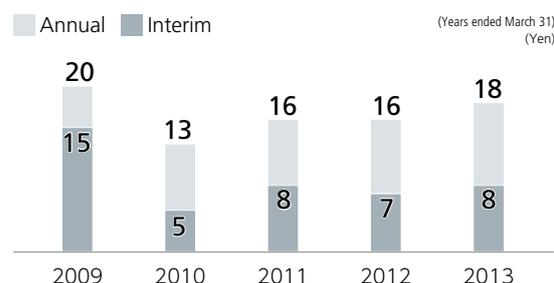
## Total Number of Shares

Number of shares authorised to be issued	500,000,000
Number of shares outstanding	187,665,738

## Number of Shareholders

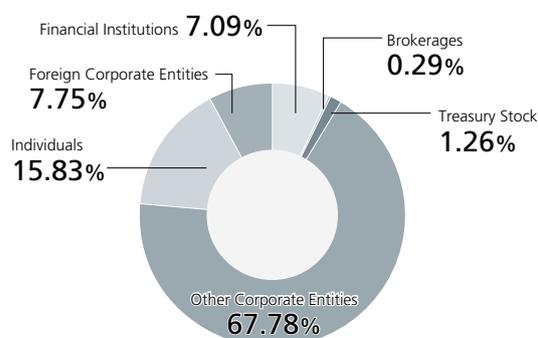
21,239

## Dividends



Based on a stance to maintain stable dividends, the Company's basic policy is to pay dividends that meet the various expectations of shareholders upon comprehensively considering such factors as consolidated business results and the payout ratio. In fiscal 2012, the Company paid annual cash dividends per share of 18.00 yen, including an interim dividend of 8.00 yen and a year-end dividend of 10.00 yen.

## Breakdown of Shareholders



## Corporate Data

Capital	8.4 billion yen
Number of employees	8,238 (non-consolidated) 32,986 (consolidated)
Stock exchange listings	Tokyo Stock Exchange and Nagoya Stock Exchange
Securities code	3116
Independent auditor	PricewaterhouseCoopers Aarata
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation

## Directors, Audit & Supervisory Board Members and Managing Officers

As of June 13, 2013

### Directors and Auditors

President	Shuhei Toyoda
Executive Vice Presidents	Shuichi Koyama Kazuhiko Miyadera Takamichi Taki
Directors and Executive Managing Officers	Hiroshi Ueda Kenichi Noda Fumitaka Ito Kohei Hori Yasuhiko Sugie Tokuji Yamauchi
Directors	Soichiro Okudaira Masahiko Miyaki Masaki Katsuragi Yoshinori Ito Akio Toyoda Hitoshi Yoshida Nobuaki Kato
Standing Audit & Supervisory Board Members	
Audit & Supervisory Board Members	

### Executive Managing Officers and Managing Officers

Executive Managing Officers	Yasunobu Hara Shigetoshi Miyoshi Sunao Yamamoto Atsushi Toyoshima Teruo Suzuki Nobuyuki Ozeki Yasushi Yoshikawa Yoshihiro Ito Osamu Kito Yasushi Minami Masaya Ishii Koichi Uemura Toshio Kawasaki Toshihiko Mori Ikuo Mochizuki Yukihide Hamajima Hisato Watanabe Nicholas Marentette Shinji Kano Manabu Hachisuka Hiroshi Ioki Toshiyuki Kawasaki Hirokazu Kamenno Hiroki Tsunoda
Managing Officers	

### Editorial Policy

*Toyota Boshoku Report 2013* is edited to provide easy-to-understand reports on various initiatives in aiming to become a truly global company.

From fiscal 2011, we are focusing on introducing the directions to which the Toyota Boshoku group should aspire and various strides towards realising the 2020 Vision.

We place importance on dialogues with stakeholders from a corporate social responsibility (CSR) perspective and received the cooperation of an influential individual in the President's Interview section.

Regarding the special features, we aimed to provide a clear understanding of the Toyota Boshoku group's initiatives by introducing from various perspectives the challenges we face in achieving new inroads.

This report also includes third-party comments by an expert that evaluate the entire report, which will be reflected in producing next year's report.

#### ● Scope of reporting

The information in this report applies to the Toyota Boshoku group in Japan and other regions throughout the world. However, the scope of reporting differs for each initiative.

#### ● Period covered by report

This report contains performance data from April 1, 2012 to March 31, 2013. Some information on previous or later activities is also included.

### ● Reference Guidelines

- Japan's Ministry of the *Environment Environmental Reporting Guidelines* (2012 Version)
- Japan's Ministry of the *Environment Environmental Accounting Guidelines* (2005 Version)
- ISO 26000
- Global Reporting Initiative (GRI) *Sustainability Reporting Guidelines* Version 3.1

### ■ Cautionary statement with respect to forward-looking statements

This report contains forecasts and expectations that relate to future plans and strategies in addition to the expected financial results of Toyota Boshoku Corporation and the Toyota Boshoku group. These statements are not based on actual results from the past. Rather, they are estimates based on assumptions and opinions that have been formed by the Company from the information available at the time of writing. They also involve risks and uncertainties relating to economic trends, the severe competition affecting the automobile industry and changes in global demand, taxation regulations, laws, systems, natural disasters and other matters. Accordingly, actual results may differ from the Company's forecasts.

### ■ Numerical values of financial results

Numerical values on financial results have been rounded off in this report.

# Upon Reading *Toyota Boshoku Report 2013*



Professor  
Katsuhiko Kokubu  
Graduate School of Business  
Administration  
Kobe University

Professor Katsuhiko Kokubu completed his Ph.D. in business administration at the Graduate School of Business Administration of Osaka City University and assumed his current position from 2001 after serving as assistant professor at Osaka City University and Kobe University. He is the Convenor of the ISO/TC207/WG8 (working group on material flow cost accounting). His majors are environmental accounting, environmental management and CSR management. Professor Kokubu has published more than 15 books including *Accounting System that Supports Decision-Making in Environmental Management* (Chuokeizai-sha, Inc.) and *Material Flow Cost Accounting* (Nikkei Publishing Inc.). Professor Kokubu serves as the committee chairman and a committee member on various committees of the Ministry of Economy, Trade and Industry and the Ministry of the Environment.

## Clarification of “our aspired image of our place in society in 2020”

In accordance with the 2020 Vision, *Toyota Boshoku Report 2013* has clearly stated “our aspired image of our place in society in 2020” as “a trusted company that grows together with all stakeholders.” This is extremely important as a principle expressing the direction of Toyota Boshoku’s development over the long term. All initiatives have also been reviewed in the report from the perspective of the seven core subjects of ISO 26000, with a key focus on stakeholders, and major policies and individual activities are being promoted under a consistent system.

## Alignment of CSR Key Performance Indicators (KPI) and the contents of activities

The Toyota Boshoku group is setting detailed mid-term targets for social activities, integrating these into its activities for each fiscal year and establishing targets for the next fiscal year. The group’s proactive use of KPI to evaluate various CSR activities and the establishment of action results and specific targets for fiscal 2013 can be acclaimed as being a major advance in terms of CSR initiatives. Activities are being undertaken based on ISO 26000 and I believe that a foundation has now been adequately built. In the future, the priority of activities will become clear and more effective initiatives can be implemented if materiality analysis, which is attracting attention in integrated reporting as well, can be included.

## Environmental activities focusing on life cycles

The Toyota Boshoku group’s environmental activities are reported integrating product development and design and production and logistics. The relationship between activities of both categories is easy to understand and this point can also be highly acclaimed. There is often a tendency for development and design and production and logistics to be separately managed, but in next-generation environmental management, consistent management of both categories will be indispensable. It will be particularly crucial to take a product development life cycle perspective when aiming to reduce environmental impacts through business activities. Year after year, the world of environmental management has witnessed rising interest in activities of individual units of the supply chain. With this in mind, I would like to see the Toyota Boshoku group extend its environmental management stance to include its supply chain and achieve even greater results.

## Developing into a global company

The Toyota Boshoku group is placing significant emphasis on global development. In terms of CSR, besides considering the cultures of various countries and regions, the group will need to respond using global standards in compliance-related areas. For this reason, I believe that if Toyota Boshoku puts efforts into stakeholder engagement from a global perspective, it can enhance its CSR activities while solidifying its position as a global company. I look forward to seeing further advancements.



Manabu Hachisuka  
Managing Officer,  
External Affairs &  
Public Relations Division  
(Executive in Charge)

## Response to the third-party comments

As we take on the challenge of attaining high management targets and tackling new issues under the 2020 Vision, our business fields are steadily expanding. Precisely because we are in this environment, I feel that aiming to be “a trusted company that grows together with all stakeholders” has especially significant meaning.

I would like to express my appreciation to Professor Kokubu for his evaluation of the report again this year and for providing his valuable advice. His continual opinions have enabled our CSR activities to steadily grow and are also leading to consistent activities.

We have just arrived at the starting point for CSR activities based on ISO 26000. We will work diligently to further advance these activities and work towards creating integrated reporting that includes materiality analysis.

As a global company, we will give adequate consideration to the cultures of regions around the world while focusing on stakeholder engagement from a global perspective.