



TOYOTA BOSHOKU REPORT 2008

April 1, 2007 – March 31, 2008



TOYOTA BOSHOKU REPORT 2008

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Founded by
Sakichi Toyoda



Toyoda Precept
(Established in 1935)

History

January	1918	Toyoda Boshoku Corporation was founded
November	1943	Merged with Toyota Motor Co., Ltd. (Now Toyota Motor Corporation)
May	1950	Became independent from Toyota Motor Co., Ltd. (Now Toyota Motor Corporation) as the Minsei Spinning Co., Ltd.
August	1967	Changed name to Toyoda Boshoku Corporation
October	2000	Merged with Toyota Kakoh Co., Ltd.
October	2004	Merged with Araco Corporation's automotive interior division and with Takanichi Co., Ltd. Changed name to Toyota Boshoku Corporation

Message from the Chairman and President



Chairman Tokuichi Uranishi President Shuhei Toyoda

We'd like to take this opportunity to thank you for your continued support.

2008 marks a major milestone in Toyota Boshoku's history, with the company entering its 90th year in business since the "Toyoda Boshoku Corporation" got its start in as a corporate entity established by founder Sakichi Toyoda in 1918.

Throughout this period, we have devoted our energies to advancing manufacturing, showing the company's spirit of "contributing to society by furnishing products that are useful to the customer, whenever the customer needs them, and at an affordable price."

Now as we make the major shift in focus from the spinning and weaving that comprised our original business field to our continually developing automotive parts manufacturing business, we are constantly taking on the challenge of developing new technologies and new products.

Our corporate activity expanded tremendously in the year ended March 31, 2008, with favorable trends that included an increase in sales to 1,233.7 billion yen* and a rise in ordinary income to 65.6 billion yen*. This resulted in our highest sales and ordinary income figures since the Group started issuing consolidated statements in 1999.

* Indicates figures rounded off at 100 million yen.

Our Group's objective is to "become a truly global company that flourishes in each key region of the world as a top-tier global interior systems supplier and filter manufacturer" by the middle of the next decade.

To establish the basis for this, we have placed priority on the concept of our "Second Founding," actively working to strengthen measures both to forge a solid footing and to institute forward-looking policies for future development. At the same time, we are strengthening our corporate governance system and the development of human resources needed to support these measures.

The Group's approach to environmental preservation involves an emphasis on activities that help achieve a "sustainable society" with a focus on curbing global warming, reducing environmentally hazardous substances, and recycling resources.

Building on the basic philosophy of "promoting corporate growth while fulfilling our responsibilities as a good corporate citizen," we strive to progress as a company trusted and relied upon by all stakeholders and increase corporate value.

We sincerely hope to continue to receive the guidance and support of all in the future as well.

July, 2008

Chairman

President

T. Uranishi *Shuhei Toyoda*

TOYOTA BOSHOKU REPORT 2008

Policy of Editing

The "Toyota Boshoku Report" issued by the Toyota Boshoku Corporation combines in a single volume the "Annual report" and "Environmental and Social Report," which were previously published separately. It covers the activities of the company for fiscal 2007.

In compiling this report, we have placed particular focus on accounts that provide a better understanding of the "PDCA Cycle (Plan-Do-Check-Act Cycle)" concept our company uses. This report also contains as full an account as possible of our unmet objectives in "Our Involvement with the Environment," including the factors involved and

the steps we intend to take in the future. We have endeavored not only to report the results of the company's efforts in fiscal 2007, but also the objectives for fiscal 2008.

Note on Editing Techniques

We have basically edited the material for brevity and easier understanding. Furthermore, we have arranged the material in the "Management and Businesses," "Our Involvement with the Society," and "Our Involvement in the Environment" sections that provide more details on these matters, as shown in the following figure, to make it easier to find information in these sections.

Highlighted Content

Fiscal 2007 Environmental Preservation Activities

Toyota Boshoku regards preservation of the global environment with a view toward the realization of a sustainable society as one of its corporate social responsibilities. Accordingly, the company strives to reduce environmental impact in all aspects of its business activities. Below is a report of the environmental preservation activities we took in fiscal 2007.

Working aggressively to meet the fiscal 2007 goals in the Y2010 Environmental Action Plan

The Toyota Boshoku Group undertakes environmental preservation activities in line with the TOYOTA BOSHOKU Earth Charter (details on p. 48) established in 2004. In fiscal 2005, the company established the Y2010 Environmental Action Plan (details on p. 48) as a specific initiative and shared it with the entire group.

The Y2010 Environmental Action Plan sets action items and targets in four areas: (1) prevention of global warming; (2) reduction of substances of concern; (3) recycling of resources; and (4) environmental management.

In fiscal 2007, the Environmental Committee, chaired by the company president, took the lead in taking aggressive action toward the achievement of the fiscal 2007 goals in the Y2010 Environmental Action Plan.

Strengthening environmental preservation initiatives at each site steadily producing results

In fiscal 2007, Toyota Boshoku made efforts to reduce CO₂ (carbon dioxide) emissions, substances of concern, waste material, and emissions and to conserve resources. These efforts included minimizing energy consumption through the introduction of simple and compact production lines at each site, the "pokoyori" of energy-saving improvements, the elimination of rust, mud, and mura, the improvement of productivity, and other such initiatives. The company also worked to make community contributions through

environmental preservation activities (details on p. 43). One example is the signing of an agreement with the city of Natsushima in Gifu Prefecture in January 2008 "Reforestation with Corporations: the Toyota Boshoku Group 'Karikyo no Mori (Environmental Forest)' at Katsushiro". Despite taking aggressive action, in fiscal 2007 the company did not achieve its voluntary targets for CO₂ emissions, packaging materials use, and volume of emissions. This was due to factors including production that exceeded the planned volume and new orders (Goals of the 2010 Environmental Action Plan for CO₂ emissions and packaging materials use were achieved.) * The operation of the production of other applications.

Strengthening and enhancing environmental preservation by promoting TB-EX activities

Toyota Boshoku believes that environmental initiatives that go beyond the traditional framework are needed to achieve a future low carbon society in 2020 and beyond. Accordingly, in fiscal 2007 the company started the Toyota Boshoku Environmental Action (TB-EX) activities in order to break down the framework of plant and department, promote initiatives that link environmental targets to overall business activities, and propel our corporate citizenship activities forward. In this way, Toyota Boshoku is aspiring to be a truly environmentally friendly company that pays due consideration to the environment throughout the entire chain of events in the production of products, from development and design through construction, production, and distribution. The company is committed to helping achieve harmony between society and nature and balance between the environment and economy.

In fiscal 2008, Toyota Boshoku aims to forge a solid footing for these TB-EX activities, advance environmental preservation activities around the axis of TB-EX, and achieve the fiscal 2008 goals set out in the Y2010 Environmental Action Plan.

Environmental initiatives with the aim of being a truly environmentally friendly company

Results of Environmental Activities in fiscal 2007

Results of Environmental Activities in fiscal 2007

In fiscal 2005, the company established its "Y2010 Environmental Action Plan," which is an action plan for environmental activities from fiscal 2005 to fiscal 2010.

In the Y2010 Environmental Action Plan, action plans and target amounts are established in the aspects of development and design, production and logistics, management, and cooperation with society, respectively for the following: 1) prevention of global warming; 2) reduction of substances of concern; 3) recycling of resources; and 4) environmental management. In fiscal 2007, the second year of the plan, we actively promoted such activities. The result of the each item is as follows.

Status of Environmental Measures in fiscal 2007

1. Prevention of Global Warming (Legend of self-evaluation: achieved, 80% to 99% or more achieved, + achieved, but less than 80%)

Item	Company	Goal	Results	Self-evaluation	Flag
1-1 Sales lighter weight of automobile parts to improve fuel efficiency	Development of lightweight, highly rigid door	Completed	12,786 tons	100%	
	Development of products related to fuel cells	Completed	12,786 tons	100%	
	Development of products related to fuel cells	Completed	12,786 tons	100%	
	Development of products related to fuel cells	Completed	12,786 tons	100%	
1-2 Reduction of CO ₂ emissions in the production activities of each country and region	Production	Completed	11,470 tons	100%	
	Production	Completed	11,470 tons	100%	
	Production	Completed	11,470 tons	100%	
	Production	Completed	11,470 tons	100%	
1-3 Reduction of CO ₂ emissions in logistics	Logistics	Completed	14,811 tons	100%	
	Logistics	Completed	14,811 tons	100%	
	Logistics	Completed	14,811 tons	100%	
	Logistics	Completed	14,811 tons	100%	

*1) Data on the Y2010 Environmental Action Plan were achieved. Voluntary targets were not achieved.

2. Reduction of Substances of Concern (Legend of self-evaluation: achieved, 80% to 99% or more achieved, + achieved, but less than 80%)

Item	Company	Goal	Results	Self-evaluation	Flag
2-1 Reduction of substances of concern in the use of substances of concern (SOC)	Development of new products	Completed	12,786 tons	100%	
	Development of new products	Completed	12,786 tons	100%	
	Development of new products	Completed	12,786 tons	100%	
	Development of new products	Completed	12,786 tons	100%	
2-2 Reduction of substances of concern in the use of substances of concern (SOC)	Development of new products	Completed	12,786 tons	100%	
	Development of new products	Completed	12,786 tons	100%	
	Development of new products	Completed	12,786 tons	100%	
	Development of new products	Completed	12,786 tons	100%	

*1) Data on the Y2010 Environmental Action Plan were achieved. Voluntary targets were not achieved.

Color-Coded by Category

Structure of this Report

This report includes six main sections.

Section 1 presents the company's highlights in fiscal 2007. Here you will find a collection of material focusing on data that provides an overall grasp of our efforts over the previous year. Section 2 describes the company's management and businesses. This section includes an interview with the President (p.11-14), a special subsection introducing our latest technologies (p.19-22), and the company's plans, efforts, and business results for fiscal 2007.

Section 3 reports on our involvement with society. This section explains our CSR policies and provides more detailed descriptions of specific activities.

Section 4 describes the company's approach to our involvement in the environment. Included here are descriptions and evaluations of our action policies and activities, along with our objectives for fiscal 2008.

Section 5 contains company financial data, and Section 6 presents our corporate data.

Organizations Covered in this Report

The information in this report applies to the Toyota Boshoku Corporation and our group companies. Our main consolidated subsidiaries and affiliates are described on p.92-94. The information contained in this report applies basically only to Toyota Boshoku Corporation, with certain material applying to the Toyota Boshoku Group also included.

Scope of this Brochure

This brochure contains performance data for fiscal 2007 (April 1, 2007-March 31, 2008). While the information on corporate activities is based primarily on activities during fiscal 2007, some material on previous or later activities is also included. We have endeavored to incorporate recent trends to the greatest extent possible.

Cautionary Statement with Respect to Forward-Looking Statements

This Toyota Boshoku Report contains forecasts and expectations that relate to Toyota Boshoku's future plans and strategies and its expected future financial results. 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 to it 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, the reader should be aware of the possibility that actual results may differ from the company's forecasts.

Referenced Guidelines

In compiling this brochure, we have made reference to the following guidelines.

- Ministry of the Environment's "Environmental Reporting Guidelines: Towards a Sustainable Society (2007 Edition)"
- GRI (Global Reporting Initiative) "Sustainability Reporting Guidelines 2002"
- Ministry of the Environment's "Environmental Accounting Guidelines (2005 Edition)"

Note on Past Published Reports

Until 2006, we annually published the "Annual Report" and "Environmental and Social Report." In these reports, we released information for the previous fiscal year. Since 2007, the "Annual Report" and "Environmental and Social Report" have been combined and issued together in the "Toyota Boshoku Report." Information for fiscal 2006 was covered in the "Toyota Boshoku Report 2007" issued on November 27, 2007.

Publishing of Next Report

The "Toyota Boshoku Report 2009," which will contain information on our work during fiscal 2008, is planned to publish around the autumn of 2009.

Survey Request

Toyota Boshoku wishes to continue improving the content of the "Toyota Boshoku Report." Please feel free to visit our website to provide us with your candid thoughts and opinions.

Comments and Questions:

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1-1 Toyoda-cho, Kariya-shi, Aichi 448-8651
TEL: +81-566-26-0301
FAX: +81-566-26-0400
<http://www.toyota-boshoku.co.jp/en>

Please note that the website address given in this report may be changed without advanced notice.

Management Highlights

Toyota Boshoku Corporation, Years ended March 31

Financial (Consolidated)

	Millions of yen			Millions of U.S. dollars
	2006	2007	2008	2008
		(Note 1)	Compared to FY2007	(Note 2)
Net sales	¥877,596	¥1,082,756	¥1,233,789	\$12,314
Operating income	33,765	48,381	65,597	655
Ordinary income	37,839	52,143	65,696	656
Net income	21,187	30,106	40,720	406
Total net assets	133,279	197,797	226,880	2,265
Common stock	8,400	8,400	8,400	84
Total assets	396,692	464,748	527,622	5,266
Capital expenditures	50,481	47,550	52,962	529
Depreciation and amortization	21,344	29,378	32,941	329
R&D expenses	24,829	26,404	31,717	317
Per Share				
			Yen	U.S. dollars
Net income (Basic)	¥111.60	¥160.76	¥217.76	\$2.17
Net income (Diluted)	111.58	160.70	217.55	2.17
Cash dividends	16.00	24.00	35.00	0.35
Net assets	709.91	858.86	997.43	9.96
Financial Indicators				
Operating income to net sales (%)	3.8	4.5	5.3	
Ordinary income to net sales (%)	4.3	4.8	5.3	
Return on equity (ROE) (%)	17.5	20.5	23.5	
Shareholders' Equity				
(at the end of each FY)			Millions of yen	Millions of U.S. dollars
Market capitalization (Note 3)	372,329	523,587	560,182	5,591

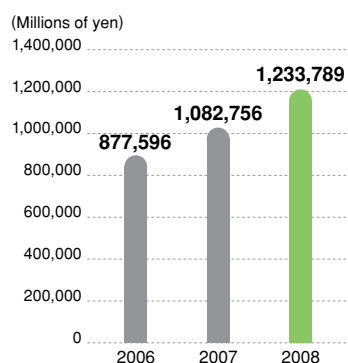
Notes:

1. 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.

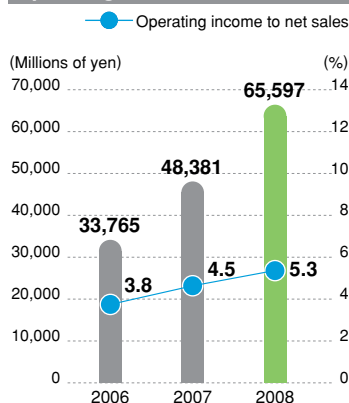
2. Figures in U.S. Dollars for 2008 were converted at ¥100.19, the exchange rate as of March 31, 2008.

3. Market capitalization is calculated by multiplying the number of outstanding shares at the end of the fiscal year by the share price at the end of the period.

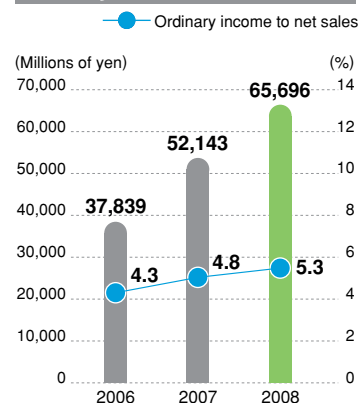
Net Sales



Operating Income/ Operating Income to Net Sales



Ordinary Income/ Ordinary Income to Net Sales



Our Involvement with the Society Highlights

Social Activities

Airing of First Television Commercials Started

In February 2008, Toyota Boshoku began broadcasting the company's first television commercials. Based on the theme "Toyota Boshoku, Designing the Interiors for Tomorrow's Cars," these ads used children's drawings of their dreams to express both the sense of expectation about the company and our vision for the future.

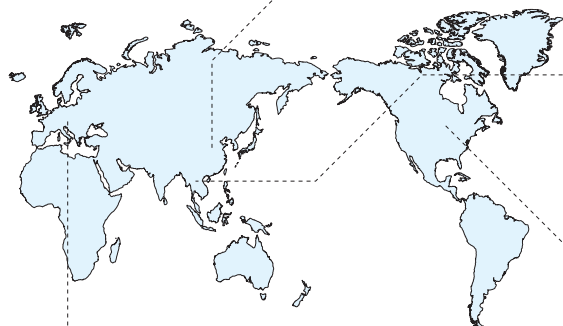


Recognized by Forbes as "Asia's Fab 50 Companies"

In December 2007, Toyota Boshoku was named by American business magazine Forbes as one of "Asia's Fab 50 Companies." In addition to achieving over 5 billion U.S. dollars in gross profit of market capitalization, Toyota Boshoku also has been rated bullish in terms of long-term profitability, growth in sales and incomes, income planning, and increase in stock value.

Global Social Contribution Activities (details on p.40-42)

We have conducted environmental preservation, youth development, welfare, and community aid activities, as well as a variety of other social contribution activities around the world. Here are some examples of the activities the Group has carried out in different regions.



Europe

Exchange programs with and donations to local elementary schools (Turkey)

We developed links with two elementary schools in the area. We not only made physical donations, employees also ran events focusing on environmental problems, which worked to deepen exchanges with these regions.



Clean Environment Campaigns (Turkey, France, etc.)*

We conducted regularly scheduled activities to clean up city areas in each region where we are present.



Activities in France

Start of Domestic Reforestation Activities (details on p.43)

In January 2008, Toyota Boshoku entered into an agreement with Nakatsugawa City, Gifu Prefecture on the "Reforestation with Corporations: Eco-forest of Toyota Boshoku Group in Kashimo and began its first reforestation activity in Japan. The concept is to promote interaction with local residents through reforestation works.



Launch of Junior Support Club (details on p.41)

We inaugurated a Junior Support Club with the aim of helping foster and educate youth. During fiscal 2007, the club conducted a tour to see the "IAAF World Championships in Athletics Osaka 2007."



China

Donations to and service activities at nursing homes (Shanghai)

Each year, personnel make two visits to nursing homes in Shanghai. During fiscal 2007, 90 employees cleaned windows and performed other cleanup work.



Volunteer activities at local libraries (Tianjin)

Once a month, volunteers sort books and perform other tasks at libraries in Tianjin.



Asia

Tree-planting activities at Thailand Toyota Boshoku Group (Thailand)

Since 2006, six Toyota Boshoku Group companies have been working together to advance tree-planting activities in the mountain forests of Rayong.



Blood donation drive (Thailand, Indonesia)

We regularly conduct blood donation drives at the local communities.

North, Central, and South America

Participation in "Japanese Culture Day" (Kentucky, U.S.A.)

Toyota Boshoku took part in events designed to introduce Japanese culture and customs to local residents. Origami (the art of paper folding), ikebana (flower arranging), and other activities helped to enhance interactions and exchanges with people in the area.



Presents for Children (Indiana and other states, U.S.A.)

Each year, we give Christmas presents to children through local welfare organizations.



Clean Environment Campaigns



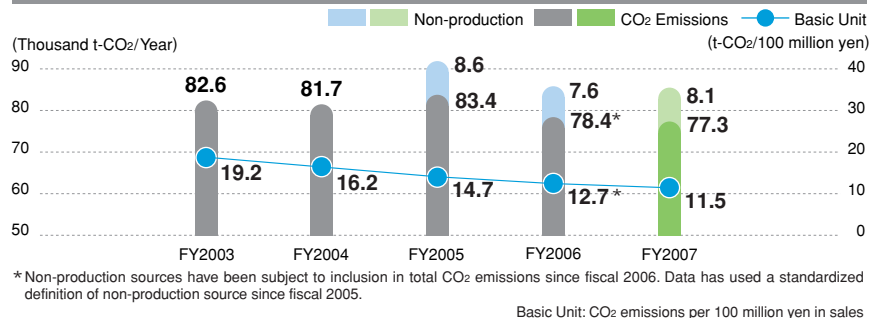
Activities in Argentina

*Toyota Boshoku conducts clean environment campaigns in areas all over the world. During fiscal 2007, over 3,000 employees participated in this cleanup in June, which coincided with Environment Month.

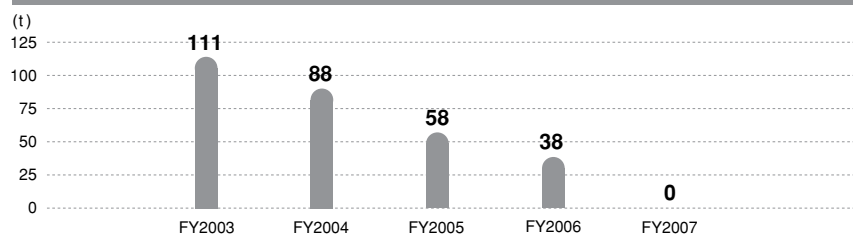
Our Involvement in the Environment Highlights

Environmental Preservation Activities

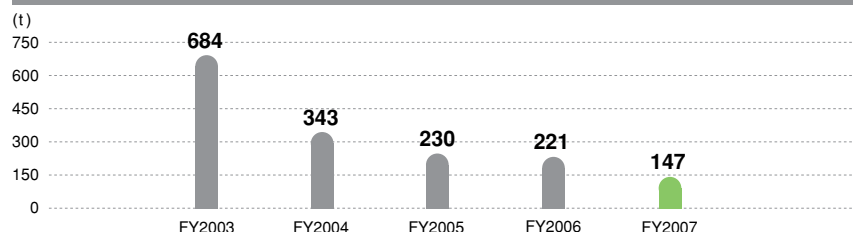
Total CO₂ Emissions



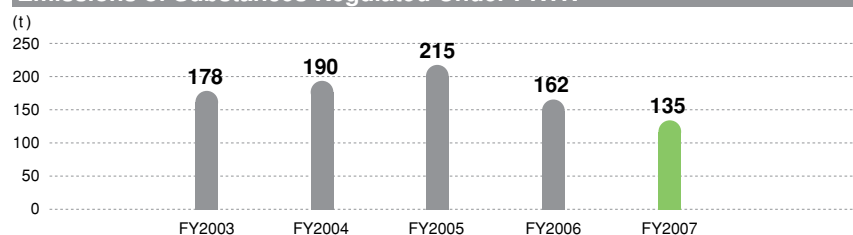
Direct Landfill Waste



Incinerated Waste



Emissions of Substances Regulated Under PRTR



Start of "TB-EK Activities" from fiscal 2007 (details on p.45)

Toyota Boshoku considers environmental problems to be one of the world's most critical issues, and we have taken many steps to help preserve the environment.

Since fiscal 2007, we have proceeded to dismantle the divisions between factories and positions, and working to link the environmental targets for all of our business activities. In this vein, we initiated "TB-EK (Toyota Boshoku Environment Kaizen) activities" to spur further activities as a member of our society.

Resource conservation and use of plant-based materials (details on p.51)

For years, Toyota Boshoku has been researching the use of kenaf, an annual plant that can absorb large amounts of CO₂ (carbon dioxide), and now we are making products with kenaf. In addition to launching full-scale development of kenaf seeds to ensure stable harvests, we are also emphasizing research into plants other than kenaf that can be used as material for automotive parts.

Management and Businesses

Toyota Boshoku is actively engaged in three automotive business areas; Interior components business, filtration and power train components business, and textiles, exterior components and other business. This section describes management issues the company handled in fiscal 2007 with descriptions from the executives responsible for dealing with those issues, as well as an introduction to the company's results, both by type of business and by area.



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About Toyota Boshoku

Corporate Outline/Sales and Relative Percentages/Introduction to Major Products

Corporate Profile

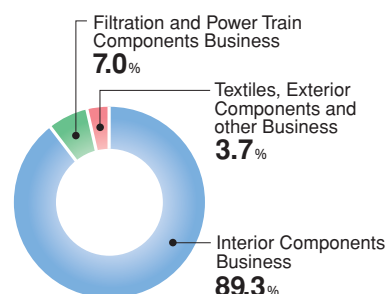
(As of March 31, 2008)

Name	TOYOTA BOSHOKU CORPORATION	Number of Employees	26,942 (consolidated)* *Exclude irregular employment
Headquarters	1-1 Toyoda-cho, Kariya-shi, Aichi	Consolidated business results	
Established	May 1950	Sales	1.2338 trillion yen
Executive officer	Executive officer Shuhei Toyoda, President	Ordinary income	65.7 billion yen
Capital	8.4 billion yen	Capital expenditures	53.0 billion yen
		R&D expenses	31.7 billion yen

For more detailed economic data, please refer to our website
<http://www.toyota-boshoku.co.jp/en>

Business Sales Compositions

(As of March 31, 2008)



Interior Components 1,102.5 billion yen (13% increased compared to previous year)



Seats



Door trims



Molded headliners



Floor carpets



Silencers



Tonneau covers



Package trays



Electric sunshade system



Headliner lightings

Total automotive interior proposal



Exterior Components



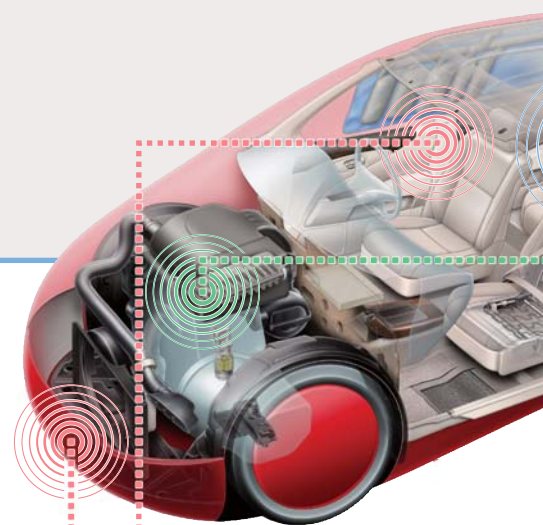
Service bumpers



Fender liners



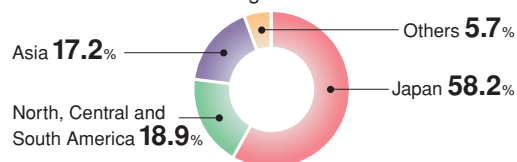
Engine undercovers



Data for Individual Region



Sales for Individual Region



Subsidiaries and affiliates

(As of March 31, 2008)

	Subsidiaries	Affiliates
Japan	16 companies (16 companies)	5 companies (4 companies)
North, Central and South America	26 companies (23 companies)	1 company (1 company)
Asia	24 companies (23 companies)	4 companies (5 companies)
Others	7 companies (7 companies)	2 companies (2 companies)

() Pervious term

Filtration and Power Train Components

86.1 billion yen
(13% increased compared to previous year)



Oil filters



Air filters



Cabin air filters



Automatic transmission fluid filters



Hydrocarbon absorption filters
(gasoline vapor absorption filters)



Air cleaners



Plastic intake manifolds



Plastic cylinder head covers with built-in air cleaners



ABS coils

Air induction systems



Textiles

Textiles and Exterior Components

45.2 billion yen
(37% increased compared to previous year)



Seat fabrics



Curtain-shield airbags



Partition nets



Strap belts and Seatbelt webbings



Uniforms

Interview with the President



Shuhei Toyoda, President

Thanks to the understanding and support of all our stakeholders, the Toyota Boshoku Group has again this year achieved favorable results. Here, Toyota Boshoku President Shuhei Toyoda explains the results of the measures the company took during the last year and an outlook on what the future holds.

Business Results for the Current Term

(Year ended March 31, 2008)

Q The company saw favorable trends this term. Please explain the factors behind this.

A In addition to an increase in production, our efforts to rationalize and carry out other solid steps to improve manufacturing have been effective.

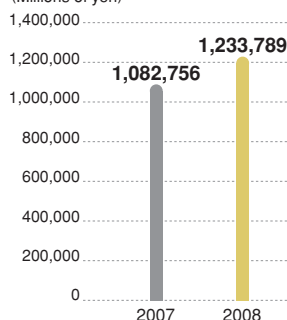
Our efforts in increasing production and earnings and rationalizing led to the Toyota Boshoku Group generating sales of 1,233.7 billion yen* for the year ended March 31, 2008, and ordinary income of 65.6 billion yen*. This means the Group recorded its highest sales and incomes ever.

Our growth in sales was partially due to increased sales for our main customer, Toyota Motor Corporation, and the appearance in Japan and abroad of new models and new versions of existing models. Our efforts to rationalize and carry out *kaizen* improvements in regions both in Japan and abroad also helped to improve our incomes. Using a standardized indicator called a Key Performance Indicator (KPI), we can compare the operational conditions for our production bases in each area of the world, including Japan. This allows us to discover and correct problem issues and create processes and designs that prevent defective products from being made, it is effective in enabling us to produce a host of other sound, reasonable activities.

*Figures rounded off at 100 million yen.

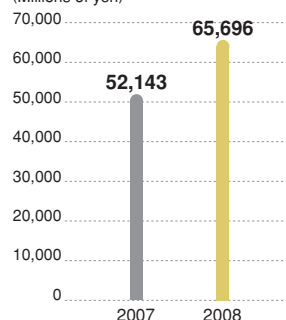
Sales

(Millions of yen)



Ordinary Income

(Millions of yen)



Changes in Policy Systems and the Effects of the Changes

Q In April 2007, Toyota Boshoku changed its "Yearly Policies" to "Yearly Global Policies". We'd like to hear the reasons for this and what changes have occurred at this point one year later.

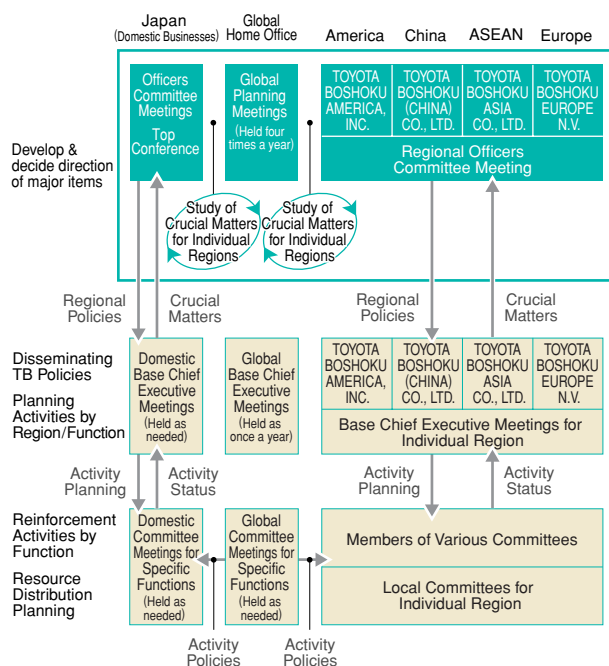
A This move let us coordinate the environment in which we can conduct our activity as a single global company.

Changing to this system of forming and implementing policies has enabled us to advance from the previous system of policies, which centered on Japan, and conduct activities with Japan, our regional governance companies, and various businesses all integrated in a single global company. With the adoption of this "global policy," we have formulated "regional policies" resulting in a form of business management that coordinates the regional governance companies and various production groups in a single regional company. In addition, when we look at this from a global perspective, our Japanese subsidiaries are now treated the same as overseas bases. So in February 2008, the Overseas Business Div. became the Global Business Planning Div, with all of the domestic Japanese operations placed under this.

This gives us four global bases plus our domestic Japanese operations, for a total of five bases, in a system where functions are vertically integrated and regions are horizontally integrated. This allows us to take a variety of steps as a single global company (details on p.30).

While the fiscal 2007 "Yearly Global Policies" was determined by global home office, starting in fiscal 2008, our global bases will also take part in discussing and formulating the "Yearly Global Policies"

Up to now, our plants around the world have worked to improve productivity through a sense of friendly rivalry with each other. Now, while making further adjustments to this environment, we also want to deepen awareness among the employees that they are "working at the global level."



Additionally, we coordinated the "global conference system" as a means of reinforcing our structure as a global company. Issues that must be deliberated at the global level and issues to be discussed separately by individual regions are differentiated. Meanwhile, our operations are run according to a three-tiered management system with planning meetings and officer committee meetings to determine the direction of crucial aspects of the business, joint executive committee meetings to disseminate and develop policies, and functional business committee meetings. All of which has had an organic effect.

Measures to Improve Quality

Q Please tell us about measures the company is taking to improve quality.

A Within the Group we have achieved definite results. We are now working to improve quality at the contractors working with us.

We take a simple, straightforward approach in our measures to improve quality. In the design stages, we make full use of DR (Design Review) and SE (Simultaneous Engineering, a system to improve designs by incorporating technical production requirements, manufacturing expertise, and other elements in the design stages) to design products that are easy for the manufacturing plants to make. We also promote measures that focus on how to avoid repeating defects that have occurred before.

We make use of past experience in production technology as well, carrying out DR in these processes while using paper-based simulations to determine work procedures and layouts. We also develop standardized procedures at the manufacturing sites, and check these procedures daily. These measures have brought good results for us in the Group, and even seen from a global perspective, they have been effective.

But the problem is in improving quality at our contractors. In these cases, our representatives go out to the contractors and continuously work together with them to improve quality. The effects eventually appear at some of these contractors, so we plan to bolster these quality improvement activities by including firms from secondary purchasers and other firms further down the line.

Greater awareness of the need to reduce the number of defects, striving to make further kaizen improvements.

Up until 2004, when the three companies that went into creating Toyota Boshoku merged, none of the original three companies were shipping many defective products, but following the merger, the number increased. This was due to

Interview with the President



the greater number of manufactured products at each level. Even assuming a defect rate of 0.1%, if we manufacture 10 million units, it means we end up with 10,000 defective products. This figure is hard to accept. So we wondered if by aiming for zero defects and striving to get as close to zero as possible, we might unexpectedly find an answer.

First, to reform the thinking within the company, we decided to indicate defects in quality and processes not as a rate, but in terms of the number of incidents and the number of defective products. As an example of this, we developed activities at local production meetings and quality meetings to promote quality improvements globally, and the effects are steadily beginning to show.

Manufacturing and Measures for Advanced Development

Q What steps are you taking to bolster manufacturing?

We have increased capacity at our production facilities.

A We then plan to continue by reinforcing production management.

In addition to what I've mentioned about steps to improve quality thus far, we have worked to boost capacity at our production facilities. One example is the FHS method (p.19-22) cited in this report. This is a revolutionary process for high-speed, high-precision stamping, without the use of hydraulics, that vastly increases efficiency in the production



FHS

of seat components for round recliners.

While we have already tried to produce multiple types of automotive parts on a single

production line with our seat products, we wanted to incorporate this in general equipment on the door trim lines so that multiple parts could be manufactured on the same line. We now also plan to strengthen production management and constantly promote *kaizen* improvements.

Actively developing innovative methods and products with the "Do It Budget."

To avoid situations when development proposals are offered by departments themselves whereby employees want to try out ideas but lack the funding, we instituted a "Do It Budget" program. This program is intended to help development of innovative methods and products that anticipate future trends. For example, let's look at the research and development of kenaf, a highly CO₂-absorbant annual plant. We had already been using kenaf in interior components, but also had a policy to promote various types of research and development to further build and expand this field. So in June 2007, we launched our Biotechnology Development Div. and have since been active working jointly with agricultural research institutes in Indonesia on seed development and other projects.

CSR Activities

Q Please tell us about your CSR activities.

A This is one area of activity we are emphasizing most. And there are various different steps we are taking.

As an internal company activity, we have established a working committee as a sub-organization of the CSR Committee, with its basic tasks concerning corporate governance, release of information, and risk disclosure. In our social contribution activities, we emphasize youth development and environmental preservation. One example of a programs initiated in fiscal 2007 is our "*Morizukuri*" (Reforestation) activity conducted in Nakatsugawa City, Gifu Prefecture (details on p.43). While we had already been involved in tree-planting activities in Indonesia, this plan calls to develop the idea further and help create forests. But curbing global warming is just one activity we are focusing on. We have been taking steps to introduce wind- and solar-generated electric power at our various facilities.



Concluding agreement with Nakatsugawa City, Gifu Prefecture



Installation of wind power generators at plants

Q Around the world over the past several years, we have seen earthquakes, floods, and other natural disasters that have affected business operations. Please tell us about how you avoid risk with unforeseen natural disasters.

A We believe that our global network helps us avoid such risk.

The May 2008 China's Earthquake in Sichuan did not affect our sites there much. Although we have confirmed the earthquake resistance of the structures at each site, we can also expect some other unimaginable disaster will strike. Moreover, destruction of roadways and other infrastructure would prevent us from supplying products. Therefore, if the worst should happen, we would then supply products from our factories in other areas. Each month we manufacture two million round recliners, a seat component, using the FHS method mentioned earlier. But production of this part is focused on a single plant. We plan to decentralize this production, dividing it between Thailand and the U.S. We believe the way the company has been promoting its global development also helps us avoid risks from natural disasters and other such situations.

The Future

Q Please tell us about issues that have become apparent during fiscal 2007.

A While we have until 2010, improving workplace strength for the "Second Founding" is now a major topic for us.

While we have been striving to get traction on this topic for the "Second Founding," which lasts until 2010, we strongly feel the need to improve workplace strength even more than we have thus far. Now we are rapidly changing the current work procedures, structures, and frameworks that are in need of thorough revisions and



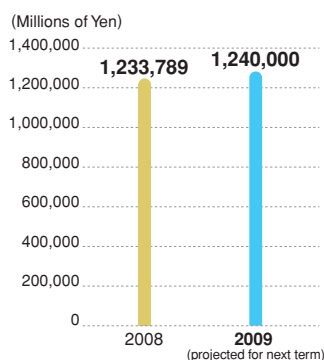
modifications as we aim for better results. We also need to keep working steadily on solutions to these issues in order to survive the global competition we face. Our effort to adopt information technology provides a concrete example. Although the company had already been promoting the use of IT, we want to place greater emphasis on responding surely and accurately to the rapid changes in society.

Q What can you say about the business outlook for the next term (year ended March 31, 2009)?

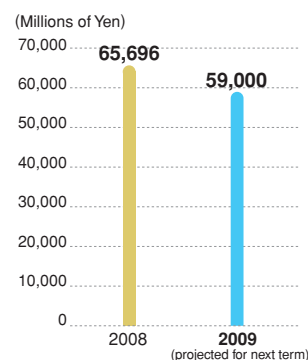
A We project a slight increase in sales to 1,240 billion yen, and with prior investment and other factors, we can see ordinary income dropping 6.6 billion yen from the previous term to 59.0 billion yen.

Forecasting our results for the next term, we estimate sales will increase slightly to 1,240 billion yen. Due to capital investment intended to strengthen our production capacity, establishment of new companies, investment for advanced development, and so forth, we can anticipate a decrease of 6.6 billion yen in ordinary income from the previous term, bringing this to 59.0 billion yen. With high crude oil prices, rising raw material costs, recession following the subprime loan problem in the United States, the strong yen, and other factors in this severe economic environment, there is no denying that the economic outlook is unclear. While we do have to consider the timing of our investments, there is still no letup in the pace at which global development is expanding. Thus the entire group is taking steps to realize greater efficiency in costing activity, development, and production standards as we aim to reach our targets of "1,400 billion yen in sales and 70.0 billion yen in ordinary income for fiscal 2010."

Sales



Ordinary Income



Results of our efforts to implement fiscal 2007's policies

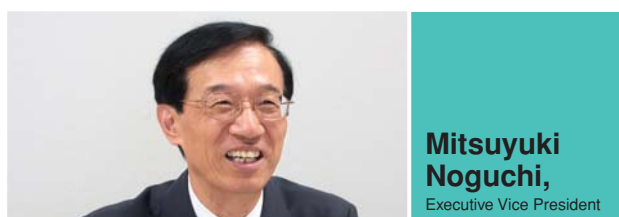
Results of our efforts to implement fiscal 2007's policies

"Strengthening business structure throughout the entire Toyota Boshoku Group, so as to ensure high quality and future growth: 'Forging a solid footing and laying the foundation for growth (second founding)'" — that is the slogan that inspired our efforts to address a range of issues in fiscal 2007.

In this section, the directors responsible for three of those subjects - boosting technical planning and advanced development capacity, human resources development and improving workplace strength, and reinforcing revenue-earning structure and achieving a consolidated profit - will report on the results of their labors.

Fiscal 2007 Policy - Strategic subject 1:

Boosting technical planning and advanced development capacity



Mitsuyuki Noguchi,
Executive Vice President

Eye on the future: Boosting our advanced development and global development system

► Aggressive R&D with a unique Toyota Boshoku flavor

Because each model of vehicle has a unique interior design, ours is a business that cannot rely very often on the benefits of common parts. Interiors are readily visible to consumers, and it is vital that we appeal not only to drivers, but also to their families.

At the time of the three-company merger in 2004, I was unsure whether or not our development operations would be able to satisfy the needs of auto manufacturers. But now, more than two years later, numerous products developed and offered by Toyota Boshoku have been adopted for various vehicles. Our development workplaces have also increased in confidence. Now that we know we can meet auto manufacturers' demands, we feel it is time we started developing items that have a special Toyota Boshoku flavor.

With that in mind, we established the Advanced Technology Development Center in July 2007. The center has an R&D Laboratories, Biotechnology Development Div. and

Advanced Engineering Development Div. Among these, the Bio-technology Development Div. is particularly noteworthy.

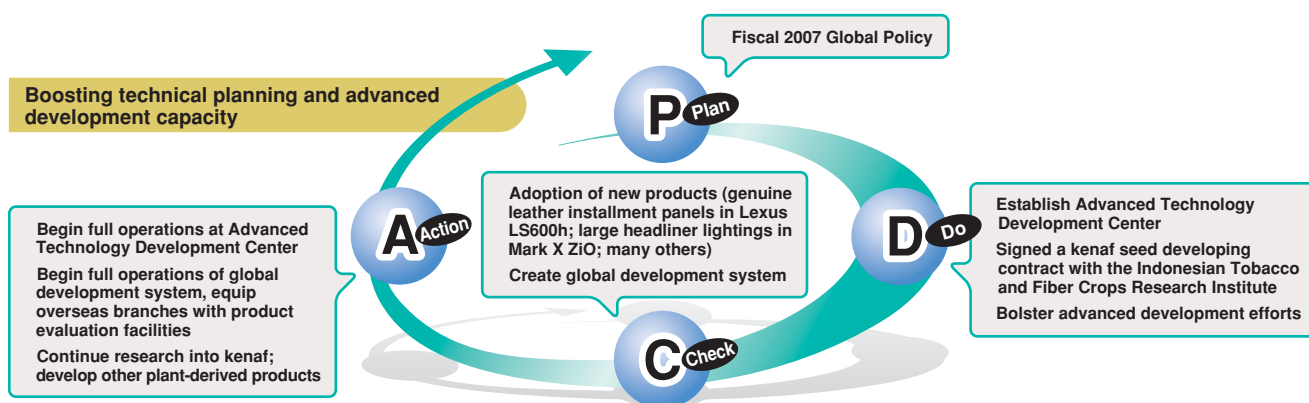
Toyota Boshoku has made products using kenaf since before the merger. But whether or not you can get a stable supply of quality kenaf depends, like all agriculture, on the conditions you have at the time. To counter that risk, we developed a kenaf seed that offered minimal variation in harvest volumes caused by climate and soil conditions together with the Indonesian Tobacco and Fiber Crops Research Institute, one of the world's leading laboratories in this field.

One of the main pillars that underpin our development at Toyota Boshoku is the reduction of CO₂ emissions; the same goes for auto manufacturers as well. You see, auto manufacturers want lighter parts - that is to say lighter parts that result in less fuel consumption, thus cutting CO₂ emissions.

In light of that goal, we at Toyota Boshoku aim not only to produce parts that are lighter, but to minimize CO₂ emissions in general such as by making more efficient use of resources and materials and utilizing natural materials like kenaf.

But auto manufacturers' demands are not all we take into account when developing products. We feel it is necessary for an auto interior company to have the ability to research the market and get a handle on consumers' demands, and offer auto manufacturers the kind of products that fit in with those. We take pride in our ability to do just that.

Meanwhile, we plan to invest considerable effort into basic research and conduct research with an emphasis on the future and, to that end, we are looking to expand our R&D workforce.



► Raising overseas engineers' motivation to ensure our development bases function well

We at Toyota Boshoku make great efforts to maintain our global development network consisting of five bases in Japan and overseas. Moving forward, our plan is to boost our R&D workforce and revise the work processes of each base.

In principle, we conduct advanced development here in Japan while our overseas bases concentrate on developing products to suit the needs of local auto manufacturers. But there are some exceptions. For instance, our North American bases develop products to order but their Chinese counterparts were mainly involved in creating drawings for items designed in Japan.

However, simply drawing things did little to motivate the employees to stay in their jobs for long. After all, it is important in the manufacturing industry to look at designs and drawings, to know about the production process and to see how the things you helped develop end up as finished products.

Luckily for us, local Chinese manufacturer placed orders for

door trims, so we have decided to delegate more of the work to our Chinese development base, including design and drawing, as a means of improving motivation among local engineers. As part of this, we intent to bringing them to Japan for training so as to instill the skills necessary for technical development.

Meanwhile, we are gradually introducing product evaluation facilities and machinery to our development bases, our plan being to eventually create a system that allows us to do at least half of our product evaluation in-house. While it is possible to rely on outside evaluation institutions, in those cases the only results we receive are "passed" or "failed." But by doing it ourselves, we know what needs to be done to bring a product up to standard, thus paving the way for improvements in the product and in our manufacturing capacity.

This is a fine example of the TB Way described on page 30, and constant implementation of these measures has enabled us to achieve a better level of quality.

Aiming to solidify our position as an auto manufacturer's reliable partner, we remain dedicated to ensuring the products we develop are always of the highest possible quality.

Fiscal 2007 Policy - Strategic subject 2:

Human resources development and improving workplace strength



Developing a workforce to spark innovation and growth

► Putting our corporate philosophy into action and revamping work processes

Companies need to continually work to maintain their ability to problems on their own, i.e., their workplace strength. At Toyota Boshoku, it is our belief that this strength is best maximized by creating good people and a good corporate culture. We do this by implementing the TB Way, which states, "We contribute to society by developing leading-edge technologies and manufacturing high-quality products."

We believe it is vital to produce the kind of employees who will go to the workplace, see and touch the actual products so as to get a feel for them and think seriously about them and what they need to improve - and who will continually endeavor to innovate in order to keep one step ahead of the constant, rapid changes of the modern world.

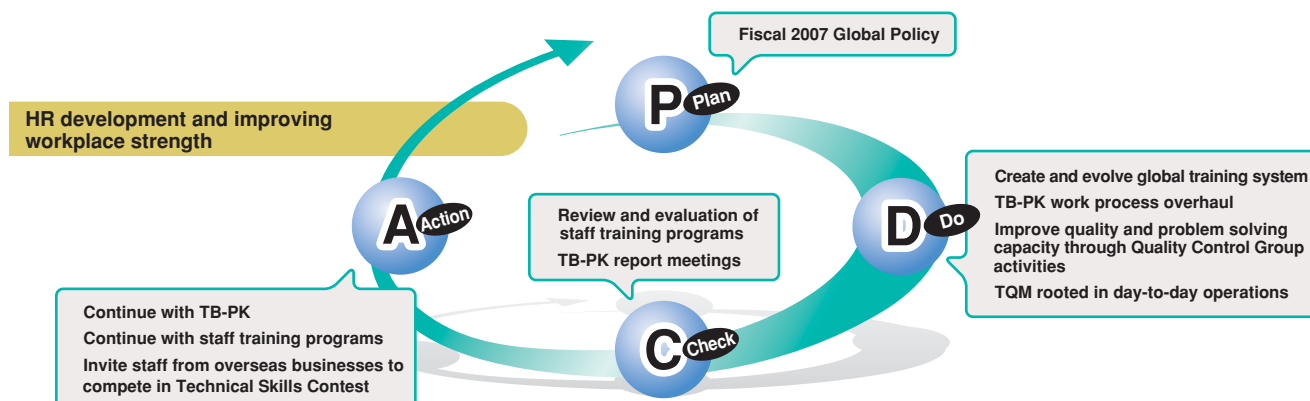
Having established a workplace strength committee, we dedicated ourselves in fiscal 2007 to addressing 150 issues

companywide that we have identified as needing attention. The major focuses of that campaign were: 1) thorough policy and day-to-day administration, and ensuring correct understanding of the Toyota Boshoku corporate philosophy; 2) conducting "TB-PK" activities to overhaul our work process; and 3) self-assessment and working to optimize our organization.

Staff training is usually entered on the acquisition of knowledge and skills, but we believe that thorough instruction in what work and contributing to society really entail is important as well. After all, full comprehension of the company's philosophies and basic stances is key to leveraging. That's why we furnish every one of our employees in Japan and overseas with cards containing the Toyoda Precepts, our basic philosophy, the TB Way and our vision.

TB-PK activities aim to make substantial improvements to our core business worldwide through more basic improvements in technical and clerical work processes. The state of production and machinery and staff allocation at manufacturing bases can be observed to identify any areas that need improvement.

This is not as simple as it seems, however, because technical and clerical employees cannot observe the processes, and thus do not realize the problem areas. That is why we have employees involved with our core business activities write their work processes out on paper in order to make them more visible, thus making is simpler to identify and solve any issues.



As a result, we have noticed that employees are motivated to implement *kaizen* improvement measures. It is our intention to continue with TB-PK in fiscal 2008, and to develop it into more a substantial program of improvement. For instance, we plan to incorporate IT-based innovations into particularly important core business activities.

Meanwhile, we also had the heads of each department / division perform assessments to ensure they knew precisely what their department's / division's mission was, and then identify the challenges they had to overcome to achieve that.

Aiming to innovate so as to spark evolution and growth in our workplaces, we will expand these endeavors to all our affiliates in Japan and overseas.

► Improving staff training with an emphasis on younger employees

We at Toyota Boshoku invest considerable effort into developing our human resources - the very origin of our life force. That development is carried out in two ways: as part of our dedicated training system and on-the-job training.

We place great stock in a corporate culture where part of the boss's job is to train his staff and where the higher-ups lead by example, and that is the basis of our staff training.

Furthermore, in these times of global expansion, we send and hire more and more staff overseas. Those seconded to our overseas branches are given pre-departure training and language instruction, as well as special seminars during their time overseas; while our local overseas hires are given training in Japan. In this way, we are trying to create the kind of

workforce that will help achieve improved workplace strength.

On the other hand, human resources development on manufacturing site is another important factor in maintaining workplace strength. To that end, we at Toyota Boshoku place strong emphasis on the training of our younger employees. For instance, we boast a Skill Transfer Center so that talented engineers can pass their skills on to their juniors, a Technical Skills Contest in which employees vie to see who has the best skills, and a skill certification system. These efforts aim not only to instill a high level of skill, but also to contribute to trust and teamwork in the workplace.

In future, we hope to open the Technical Skills Contest up to employees of our overseas businesses. Elsewhere, we have a Quality Control Group, which has significant advantages with regards to fostering teamwork and solving problems in the workplace. We also plan to implement a number of fresh initiatives to build up the strength of our production workplaces, including inviting the more experienced temp and fixed-term employees to become permanent staff (details on p37).

Our products need to be strong all-round, including in terms of quality, sellability and brand power. If we are ever to achieve that, we will need seamless teamwork. Led by our intent to nurture our employees and steadfast in our ability to identify and solve problems, I look forward to communicating to our workforce how, if they join forces to make good products and contribute to society, they can derive unlimited joy from their jobs.

Fiscal 2007 Policy - Strategic subject 3:

Reinforcing revenue-earning structure and securing consolidated profits



Ritsuo Torii,
Executive Vice President

Expand sales, boost cost-competitiveness and create a revenue base to revamp profit structure

► Secure our business footing for future growth in our "Second Founding"

The bedrock that upholds our revamping of profit structure is: 1) expansion of sales; 2) boosting of cost-competitiveness; and 3) creation of a revenue base. We need to develop and sell products that are of the competitiveness others do not have, and improve our production and manufacturing technology in order to make those goods. Indeed, our reward

for having worked hard to do just that in fiscal 2007 was to clear our sales and profit targets for the year by a considerable margin.

Still, the automotive industry is fiercely competitive, and the effects of rising oil prices and raw material costs have been undeniably large. We often hear that the tide has turned, but the evidence points to plummeting vehicle sales in developed markets like Japan and North America and robust sales in developing countries like China and India.

We at Toyota Boshoku are confident that our production bases around the world allow us to continue making quality products on a global scale despite the current mayhem.

The company has designated 2010 as our "Second Founding", and we are working feverishly to secure our business footing so that it will serve as a platform for the future. Previously, Toyota Boshoku grew and developed its technological strengths in conjunction with the global expansion of its major trading partner, Toyota Motor Corporation. The company will continue to stand side-by-side with Toyota, but we feel that the time is ripe to see whether or not the skills we have honed under Toyota's wing will satisfy other auto manufacturers. We will invest significant in to our non-Toyota business in future.

► Improving suppliers' QCD; *Tokoton Chiedashi* Program

We believe the company can bolster our global competitiveness if all our regional management companies worldwide work hard to make the most of their respective functions.

Toyota Boshoku divides the world into four regions, each of which has a regional management company to control regional operations so that they form a single "company." We already have the right environment in which each region can combine their strengths to improve revenues. However, if the Toyota Boshoku Group is to achieve further growth as an interior systems supplier and filter manufacturer, we need the cooperation of our suppliers. We help raise our suppliers' QCD through a Supplier Parts Tracking Team, which operates under our *genchi-genbutsu**¹ principle. This is to set up a

framework to ensure the quality, quantity and cost of the parts, as well as the timeliness of delivery.

Meanwhile, in Japan, we have established a supplier group comprised of 107 of our suppliers. We plan to create a similar group overseas as well to serve as an interactive communication forum outside of Japan.

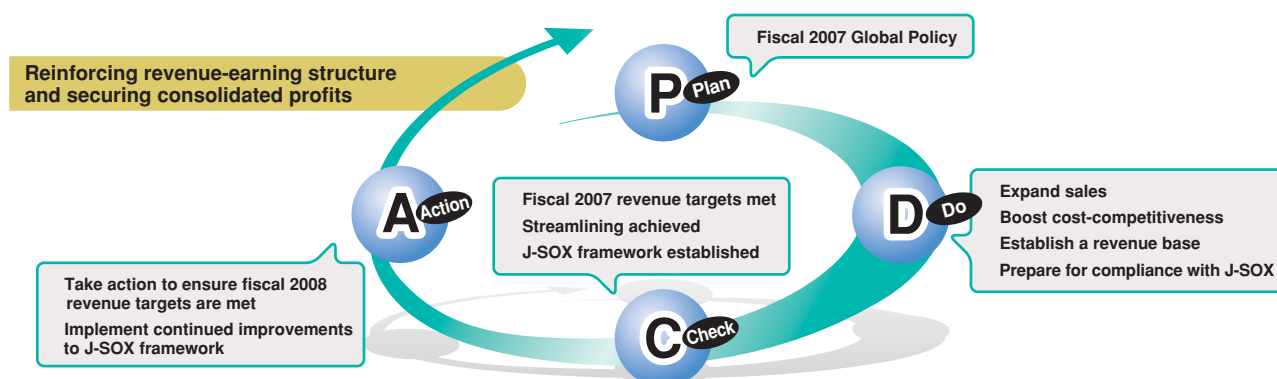
Furthermore, we have implemented the *tokoton chiedashi* (unlimited ideas) program, which is aimed at securing profits. We believe that, in fiscal 2008, rising prices for oil and raw materials, a global downturn in share process, a rise in the value of the yen and a stagnant US economy will have a major effect on Toyota Boshoku's revenues. If we are to ride out this storm, we need to implement a thorough *muda-tori**² program; each and every employee of the Toyota Boshoku Group must wrack their brains to come up with all the ideas they can to cut back on the costs incurred in their work.

To that end, it is imperative that all of us raise our awareness, hone our problem-identification skills and have the ability to act quickly. It is important for sustained profitability that we create a corporate culture in which people do not fear failure, and in which we can constantly reassess our methods and, if they are not the optimal methods, have the courage to change them.

The Japan's Financial Instruments and Exchange Law, which has been dubbed "J-SOX," came into force in April 2008. In preparation, we at Toyota Boshoku launched the J-SOX Preparation Committee in July 2007 with the president as chairman, and set about getting ourselves ready to comply with the new rules. We are working closely with group-wide governance departments, other relevant divisions and our various group companies to document all necessary matters related to our global management system. Our corporate auditors assessed a dry run in March 2008, and it gives us great pleasure to announce that our J-SOX framework was given the seal of approval.

*1 *Genchi-genbutsu* : A system whereby, if a problem arises, we travel to the actual location (*genchi*) and inspect the pertinent item (*genbutsu*) by actually taking it in hand and seeing what the problem is.

*2 *Muda-tori* : Review excessive quality, unnecessary and non-urgent jobs, switch fixed costs to variable, concentrate multiple production lines into one and cut out waste, etc.



Revolutionary pressing technology to bring us closer to world-beating processing speed and precision

The sheer enthusiasm of Toyota Boshoku's employees for creating quality products has given rise to a new processing technology that turns convention on its head. The new technology can press around a hundred 4.3mm-thick steel plates a minute with almost zero defects.

We spoke to the staff who worked on the development of this incredible new pressing technology.

トヨタ紡織株式会社



To achieve the best in technical creation, we made our new processing technology ourselves

In the corner of Toyota Boshoku's Sanage Plant stands a press machine churning out close to a hundred parts a minute. Parts for what? The round recliner that changes the angle of car seats.

"This press machine boasts a production rate of around a hundred 4.3mm-thick steel plates a minute with a quality rate

of at least 99.9%," says Masami Sakakibara, a core member of the group that developed the new fine hold stamping (FHS). "With plates this thin, it was generally thought within the industry that the fastest you could get was around thirty units per minute, so I suppose that means we're the fastest in the world."

Toyota Boshoku previously used the fine blanking method, which involves the use of hydraulic press machines. But there were several disadvantages with fine blanking, explains Shiro Fujimura, who works in the same department as Sakakibara.



**Masami
Sakakibara**

Project General Manager
Interior Parts Production
Engineering Div. 4



**Yoshihiko
Yamazaki**

Department Manager
Interior Production
Engineering Dept. 41,
Interior Parts Production
Engineering Div. 4



**Shiro
Fujimura**

Group Manager
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Interior Parts Production
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**Mitsukuni
Nakamura**

Group Manager
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**Hiroshi
Yabushita**

Senior Expert
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Metal Stamping Production
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**Kohei
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**Takuma
Watanabe**

Precise Mold G, Interior
Production Engineering
Dept. 41,
Interior Parts Production
Engineering Div. 4



"Production was slow, changes in oil temperature depending on the air temperature meant quality was inconsistent and the complex structure of the machinery meant it was a struggle to identify the cause of any problems that might arise." Yoshihiko Yamazaki, who is in charge of the round recliner automatic assembly line, recalls the scene: "Parts made by fine blanking had a low level of precision and they would clog up the automatic assembly line. We had to throw out a lot of defective parts."

Needless to say, the team was not about to sit on their hands. "We went through the *kaizen* procedures," explains Sakakibara, "but the press machine was made by a German manufacturer and whenever we told them we wanted to



improve this or that, they always told us it was impossible and that was that. It was very frustrating indeed. Then it hit us: we had built up a wealth of expertise through our round recliner production, so we should use that knowledge to develop our own pressing technology."

Consigning hydraulics in the past: developing metal molds unveils new challenges

Inspired by the motto "high-speed, high-precision pressing technology without hydraulics," development of the new technology began in 2003. "Our desire to move away from hydraulics meant we had to go mechanical," says Fujimura. "When we were thinking about what kind of methods to use, we started by asking about the major problems that dogged the pressing workplace - it was a case of just asking those on the front lines what they wanted."

The initial plan was to use existing motor-driven press machines and modify the metal molds. Takuma Watanabe, who was in charge of metal molds development, explains: "We identified more than two hundred problems in the beginning, and set about solving each one of them. We somehow reached a level where we could go into production but, after we'd pressed a few thousand shots, we discovered

that the precision of the end product was quite inconsistent. The cause for this lay in the press machine itself, so we realized we had no alternative but to develop our own press machine." So, a year after development had begun, the team were now faced with making their own press machine as well as developing metal molds.

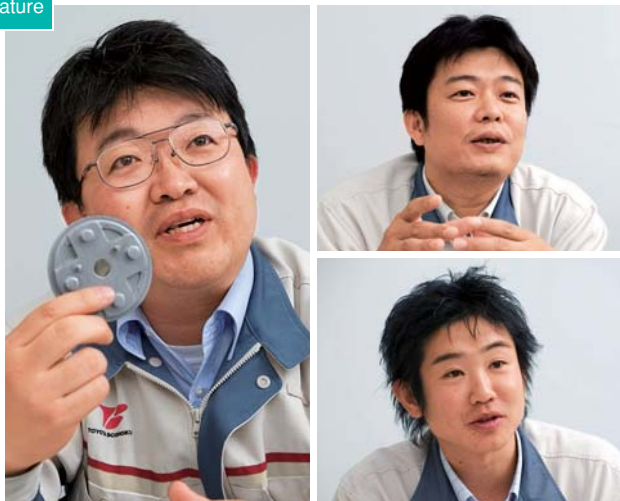
Inspiration at a trade fair: Learning from other industries' wisdom spurs development of press machine

While at an international trade fair for machine tools in Germany, Kohei Ushida stopped in front of a booth. "It was a manufacturer of press machines," he recalls. "They pressed the thin wafers used in household appliance and mobile phone parts. They did a demo and it was really fast, yet with high precision. I was transfixed." The manufacturer was Japanese, located in Aichi Prefecture. Seeing Ushida riveted to their demonstration, one of the company's directors came up and spoke to him. "I was in Germany for work unrelated to our development of FHS but, in hindsight that encounter was where our press machine development started."

After returning to Japan, Ushida convinced Sakakibara to visit the press machine manufacturer in Ichinomiya City, Aichi Prefecture. Having seen the technology for himself, Sakakibara set about making a deal for joint development of a new press machine. "There we were, struggling to achieve precision down to a hundredth of a millimeter, while in the household appliance and mobile phone industries, they routinely manufacture with precision down to thousandths of microns without compromising speed. Here was what we were seeking: high speed and high precision. However, the manufacturer had never made a large press machine of such tonnage that could handle thicker steel plates. So for both of us, developing a FHS press machine was a new challenge." Thus, the wisdom of other industries proved the catalyst for the joint development of a new type of press machine.

Working on metal mold maintenance for standardization and longer life

As the team worked on a high-speed, high-performance press machine and strove to develop metal molds to suit the new system, metal mold maintenance proved to be another challenge. Metal mold maintenance is an indispensable part of ensuring stable quality and production. Traditional fine



blanking method relied on the handiwork of an experienced master, but Hiroshi Yabushita of the Metal Stamping Production Machinery Dept. was charged with standardizing maintenance work so that anyone could do it. "Three of us went to a domestic appliance metal mold manufacturer for training," he says. "Seeing them strive to achieve precision down to five thousandths of a mm was amazing - I was astounded learn that such intricacy was even possible."

Armed with this expertise, Yabushita and his cohorts reexamined the machine tools that had been used up to that point for metal mold maintenance. They worked to eliminate handwork from the maintenance process where possible. This was done by choosing processing devices better suited to FHS and even automating the surface application stage, a task which resulted in considerable difference in finish quality depending on who did the work.

No matter how fast and precise the production, if metal molds soon require maintenance the whole production process comes to a halt every time, thus preventing any possible improvement in productivity. To counter this, Toyota Boshoku also endeavored to extend metal mold life. Spraying minute metal and ceramic particles onto the material to form dimples between five and seven microns in size on the surface, thus increasing its rigidity and the divots in the surface help reduce friction. Minimizing the friction between the product material and the metal mold during pressing helps reduce the effects on the metal mold.

It is often thought that the fewer bumps there are on the surface, the less friction would occur during pressing. But in practice, the opposite turned out to be true. "To get an idea of the principle that applies to the



Ratchet

surface finish," explains Watanabe, "take a look at a hypodermic needle. The surface of the piston pump of the syringe has slight dimples in it, and it's those dimples that keep the syringe working smoothly. In other words, we have reduced friction on the surface of our metal molds by adding dimples."

The company worked out the size and texture of the particles for spraying independently together with our partner manufacturer. As a result, the surface treatment process, which was named wide peening cleaning, or WPC for short, extended the useful life of the molds by five times.

A mountain of challenges overcome, production starts in July 2005

Of the eight parts that comprise a round recliner, six can be made by FHS. One of these is the ratchet. This is the part with the "teeth" sticking out that allows the user to set the angle of the car seat. In order to strengthen the ratchet, it is subjected to high-frequency quenching after being pressed.

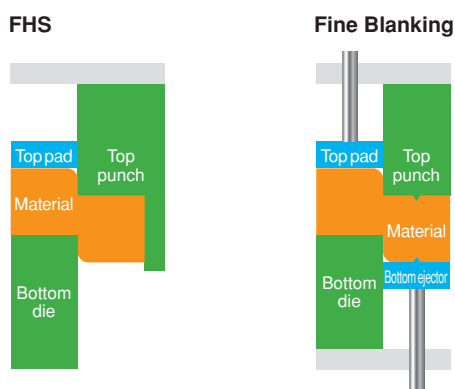
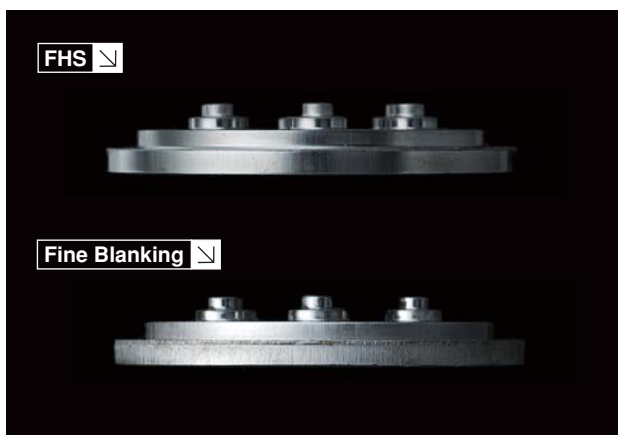
Mitsukuni Nakamura explains, "After quenching, the ratchet is cooled. However, if you get the cooling wrong, you can end up changing the dimensions, which ruins all the good work of the high-precision press." Nakamura is the man who went through incredible trial and error, adjusting the angle at which coolant fluid is poured by hundredths of a millimeter, in order to find a way to keep the ratchet dimensions exactly the same after quenching.

Finally, after developing metal molds, creating a 600-ton mechanic press machine, seeking ways to improve maintenance and solving assembly issues, production of items made by FHS began in July 2005.



Metal mold mechanism for gripping material leads to high-precision products

Let us take a look at the differences between FHS products and their fine blanking counterparts. As the photograph indicates, the cross-section of the FHS parts is extremely clean. This crispness is a major characteristic of the FHS



method.

In case of pressing without using hydraulics, when the product material hits the mold, there is inevitable some loss. To compare, think about cutting food with a knife: the force of the knife on the food means that minute pieces of that food are dragged away. Of course, the blunter the blade, the more the cut looks like it has been torn. The same thing occurs with fine blanking. However, with FHS, the mold form has been adjusted so that the mold itself holds the product material still in order to prevent this loss. This mechanism means the mold and material are kept in alignment, thus allowing for high-precision processing as illustrated by the crisp cross-section of a FHS product.

"We destroyed innumerable prototype templates up to this point, and made many test parts," recalls Sakakibara. "Our executives went to our development partner's premises so many times to ask for help. While I do not play down the effort of our staff in developing the new technology, our management team are due a lot of credit for pushing things along when it was needed."

The second stage of FHS: Production to begin in Thailand in November 2008

Having been perfected, the FHS method is now about to enter its second stage. Toyota Boshoku has already developed a way to extract two units of a product from the same metal mold with each press, thus putting the company well on the way to doubling its regular production rates. This was another brainchild of Watanabe. At first it seems like a simple task, lining up two items, but that is not the case. Naturally, both must be of identically good quality and if one

half of the template was to malfunction, it would bring the whole press to a halt. Thus, this doubling up was an extremely difficult challenge to overcome.

Unlike pressing a single product, when the steel plate is pressed in the middle, the dual system involves pressing either side of the plate to create two identical pieces. This part of the processes is susceptible to the effects from neighboring processes, which may cause the force to be applied unevenly, thus creating inconsistencies in the finish. "We set up metal molds for dual pressing, ran the machine and measured how evenly the force was being applied during the various stages of the pressing process to see whether or not we were getting the desired dimensions," recalls Watanabe. "For a while that was all we did; we just measured materials." Watanabe's steady efforts paid off, however, and dual pressing using the FHS method became a reality.

The company plans to introduce FHS to its production bases in Thailand in November this year, where Yabushita and Watanabe are training the local employees. Also, there are already *yokoten* moves afoot and the company is eager to adapt FHS to produce other presses products.

Spreading the spirit of FHS: the determination to make an idea reality

"We churn out two million units a month at our Sanage Plant," boasts Yamazaki. "Still, that means that even with a 99.9% quality rate, we end up with two thousand defective pieces a month, so there's still a lot of room for *kaizen*. I, for one, am determined to keep raising our performance."

According to Fujimura, the company is not content to rest on their laurels, and are determined to achieve further improvements: "We're very pleased with the results of this development project, and I am resolved to work hard so that we can see off the competition and solidify our position as a leader in the field of pressing technology."

Adds Sakakibara: "While it is important that we seek ways to adapt and use FHS for other products, I think it is just as vital that we strive to achieve *yokoten* and apply the spirit behind the FHS method as well. In other words, I think we should spread the gospel among our younger employees about having the willingness to face difficulties and remembering what it was that got you your successes."

And so the team's quest continues.



Business Overview

Interior Components Business

From concept to design and production, we relish the challenge of the whole spectrum of developing new technologies

Sales growth of 13% from 2007, total of 1,102.5 billion yen due to increase in production and adoption of new products

The Toyota Boshoku Group establish its own position with in the automotive industry, as an interior system supplier handling the entire process from the cabin concept creation through to development, design, procurement, and production. Through close collaboration with auto manufacturers and suppliers, we are involved in interior system development from the earliest stages. We do not simply assemble parts and modules, but rather provide systems through comprehensive and effective coordination of vehicles' interior space with seats, door trims, headliners, floor carpets, and other necessary components. Our efforts are focused on the pursuit of total beauty, comfort, and safety. In addition, we are also engaged in reducing the environmental burden of our products over their entire life cycle from manufacturing through disposal.

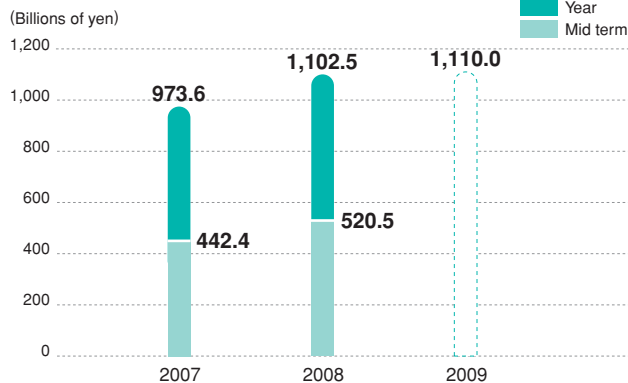
In 2008, we have started the production of interior components in South Africa for the Toyota's global model Corolla, and in Russia the Camry. In addition, a number of our components and technologies were selected for use in several car models: the leather-trimmed instrument panel for Lexus LS600h made with the highest precision achieved by proficient craftsmanship and the state-of-the-art equipments; the one-touch folding third-row seat for the Voxy & Noah, which allows seats to be folded down and flip up with fingertip control; and the large headliner lightings for Mark X ZiO, which bathe the car interior with gentle light by reflecting LED light off the ceiling.

This year, we managed to increase sales by 128.9 billion yen to 1,102.5 billion yen - an increase of 13% over the previous year. This can be attributed to concentrating on swiftly satisfying society needs and auto manufacturers' demands, as well as to the expansion of our production base due to demand for new vehicles and the addition of new subsidiaries.

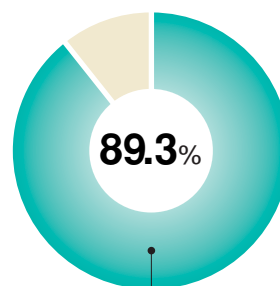
Moving forward, we will join forces with the Textiles and Exterior Components Business to bolster our electronic technology and development of components for seat functional parts. Our aims are to obtain technology that makes us able to offer unrivalled skills and products, and furthermore to produce products that meet consumers' expectation (e.g., interior comfortability, silentness and appearance) and the social demands (e.g., safety and environmental concerns). To that end, our plan is to perform various actions to acquire competitiveness in QCD (Quality, Cost, Delivery) and our reliability among auto manufacturers.

We are forecasting sales of 1,110 billion yen in 2009, an increase of 7.5 billion yen (1%) over 2008.

Interior Components Business: Sales Trends



Business Sales Compositions — 2008 (from Apr. 2007 to Mar. 2008)



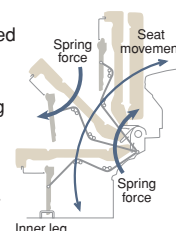
Interior Components Business

1,102.5 billion yen



One-touch Folding Third-row Seat (used in Toyota Voxy & Noah)
Stows away smoothly with a single touch.

A single touch of the lever under the seat is all that's needed to: (1) Fold down seat-back; (2) Unlock; (3) Raise seat upwards; and (4) Stow inner legs. The one-touch folding third-row seat features safeguards that prevent the seat from raising to the upright position until the seat-back has been folded completely, thus preventing from being stowed with anything wedged between the seat cushion and the seat-back. No dampers are used to adjust the speed of seat when flipping up; we created a unique mechanism that achieves the right balance by using wire to connect the opposing forces of the springs exerted to stow the seat and return the inner legs to their proper positions.



Filtration and Power Train Components Business

World's top automotive filtration supplier offering high-performance products that respond to the needs of the society

Having achieved sales of 86.1 billion yen due to increased air filter production, our quest to create high-performance, high value-added products continues.

Making full use of textile technologies developed through textile business, the original business field of the company, Toyota Boshoku has grown into a comprehensive manufacturer of automotive filters, developing and producing a range of high value-added products that address the needs of the customers and the society at large.

Specifically, we endeavor to constantly enhance our world-leading filtration technology; develop and produce world's top high-efficiency, long-life, low-pressure-loss filters; improve engine performance, minimize costs, promote modularization and systemization; help protect the environment and improve comfort.

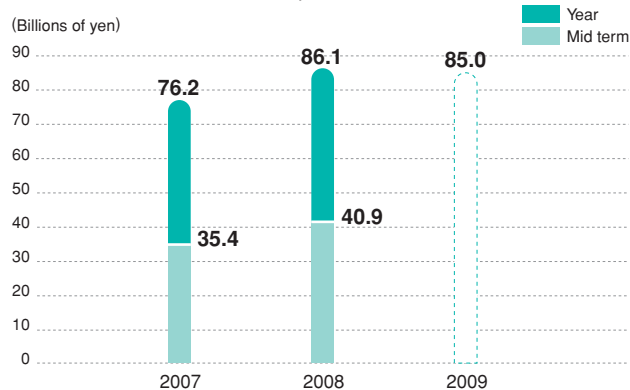
The range of our products include air induction systems contributing to the realization of highly-efficient, compact, or lighter-weight engines, environmental-friendly oil filters with replaceable elements, as well as high-performance deodorant dust filters and even pollen filters for vehicle air conditioning systems.

Annual sales in fiscal 2008 was approximately 86.1 billion yen, up 9.9 billion yen (13%) from the previous year, thanks to recent achievements including our oil filter production in Foshan, China, getting on track, new orders for air filters from GM North America and increased production capability for Intake Manifolds.

Our strategy for future Filtration & Powertrain business focuses not only on expanding our strengths as a system supplier and leveraging them in planning and designing products from the viewpoint of total Air Induction System performance, but also actively promoting the development of next-generation filters for lubrication/air conditioning systems that incorporate various needs of society regarding environment, energy, and human health.

Our sales in fiscal 2009 is forecasted to be around 85.0 billion yen, down 1.1 billion yen (1%) from FY2008.

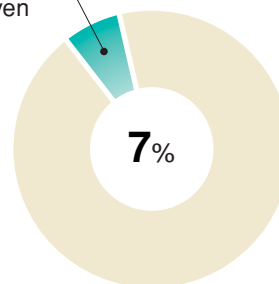
Filtration and Power Train Components Business: Sales Trends



Business Sales Compositions—2008 (from Apr. 2007 to Mar. 2008)

Filtration and Power Train Components Business

86.1 billion yen



Air Induction System

Lighter-weight, space-saving Air Induction Systems contributing to the realization of high-performance engine.

Being awarded business as system supplier and developing the products as total system containing air cleaner, cylinder head cover, intake manifold and all other related components, Toyota Boshoku has realized Air Induction Systems with efficient component arrangements, contributing to the development of high-performance engine. The use of plastic head covers also enables lighter-weight, space-saving design of the system.

Textiles, Exterior Components and Other Business

Always a step ahead, we develop new materials and create eco-friendly products

Sales growth of 37% from 2007 total of 45.2 billion yen; now to increase technology development and design capacity

The Textiles and Exterior Components Business takes the needs of the times in advance, creating a product which pursued ever greater comfort and performance. While the Textiles Business works hard to develop new materials for the product fields like fabrics for airbags and seats, cabin headliner materials and the high-functionality uniforms, and considerable effort is also expended in creating environment friendly products.

One example of this approach is the development of eco-friendly non-solvent type material for large curtain shield airbags. Coated with silicon to maintain internal pressure for longer period, offering protection for sideways impacts during sideslip accidents as well. These are used in the Toyota Highlander in the North American market.

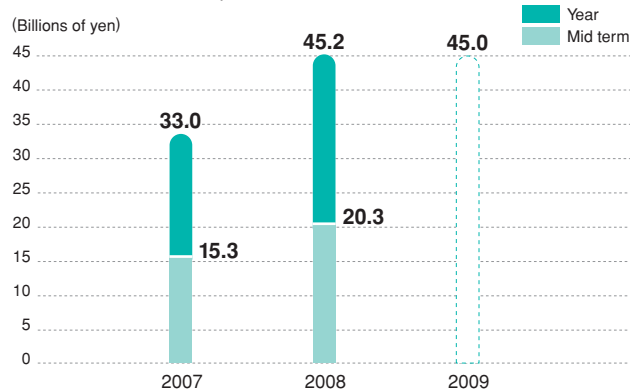
Meanwhile, we also produce a variety of exterior components, including service bumper, that requires a high level of safety standard, as well as durable, cost-competitive fender liners and engine undercovers.

In 2008, we had smooth operation of bumper production in France and increased production capacity of curtain shield airbags in Vietnam, and these expansion of our production base resulted in the sales reached 45.2 billion yen, an increase of 12.2 billion yen(37%) over the pervious year.

Moving forward, we aim to work closely with the Interior Components Business to improve our technology development capabilities with regards to the components like seat fabrics, carpets, airbags and seatbelts, not to mention our seat fabric designs.

We are forecasting sales of 45.0 billion yen in 2009, just a slight decrease of 200 million yen from 2008.

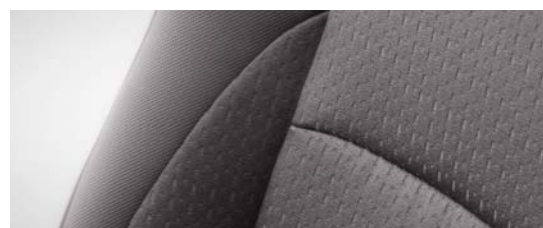
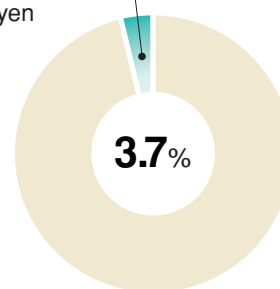
Textiles, Exterior Components and Other Business: Sales Trends



Business Sales Compositions—2008 (from Apr. 2007 to Mar. 2008)

Textiles, Exterior Components and Other Business

45.2 billion yen



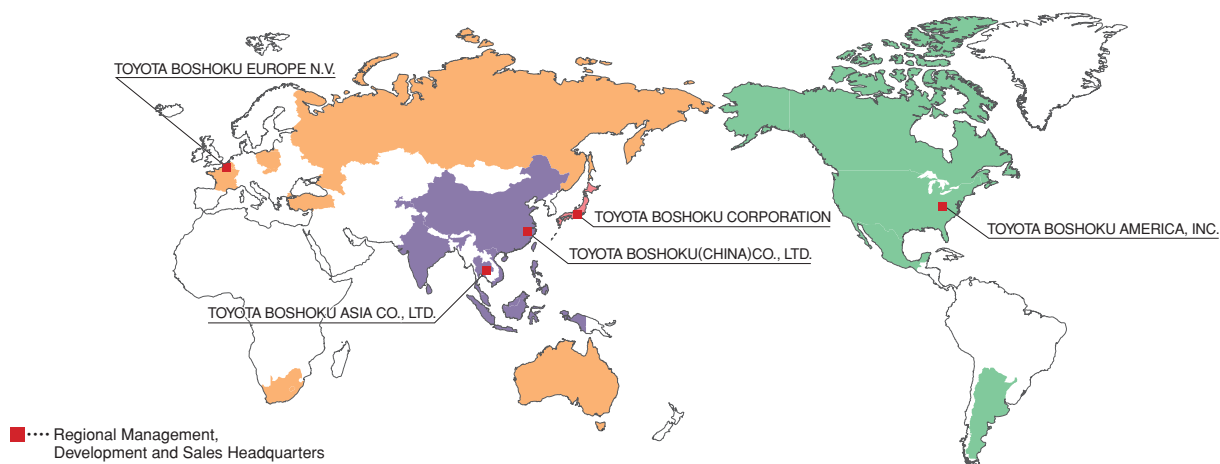
Seat Fabric Treated with an Anti-mite Allergen Agent
(used in Toyota Crown)

*A joint development with SEKISUI CHEMICAL CO., LTD. and KOMATSU SEIREN Co., Ltd.

A world-first seat innovation to bring a new level of comfort to car interiors.

"Minimizing the mite allergens within the fabric into less than one micro-gram per square meter and keeping its effect for five years" as being our target, we have developed the world's first Aiti-mite allergen seat. While entrusting the development of a water-based anti-allergen solution that would not affect the design of the fabric, to SEKISUI CHEMICAL CO., LTD., was examined together with KOMATSU SEIREN Co., Ltd. A number of problems were encountered, such as the deterioration of the fabric's texture when applied from the front, and degrading effect of the solution when applied from reverse side. Still, by adjusting the mixture of anti-allergens and the application conditions, and using an unprecedented technology involving spraying a dispersion liquid as a mist to achieve an even coat of minute particles on the reverse side, we succeeded in penetrating the agent inside the fabric.

Performance in fiscal 2007 by region



About region-specific performance

In this section, we examine financials according to region. Countries and regions outside of Japan are categorized as the North, Central and South America, Asia and Others, whichever is geographically closest. Please note that sales figures mentioned herein are the total amount of sales to external customers.

Japan

Export products propel sales to 718.3 billion yen, a 10% increase from 2007

In 2008, the Japan was buffeted by rising crude oil prices and other negative influences, but improved corporate profits and a recovery in consumer spending set the economy back on an expansionary trend. Nonetheless, the worldwide fall in stock prices and the appreciation of the yen showed a clear slowing in the economy in the second half of the year.

In the automotive industry, domestic sales were down as a result of a lengthening of the vehicle purchase cycle and higher fuel prices, but robust exports helped propel sales to a year-on-year increase.

Meanwhile, 2008 saw Toyota Boshoku technologies held in high regard. We succeeded in having our leather-trimmed instrument panel, which was designed by skilled masters, used in the Lexus LS600h, and the one-touch folding third-row seat, which allows seats to be folded and set upright with a single touch, in the Voxy & Noah. Moreover, the completion of the Toyota Boshoku Shiga Plant and commencement of production there saw a further strengthening of our production structure. Elsewhere, we started on a major operation to expand and improve the efficiency of our businesses by reorganization of six of our domestic subsidiaries. In a move aimed at ensuring further growth, KANTO SEAT WORKS., LTD. was made an affiliate in June 2007, and our affiliate CO WERK CO., LTD became a subsidiary in December 2007.

Sales in 2008 grew 62.8 billion yen (10%) to 718.3 billion yen from 2007 thanks to Toyota Boshoku components being included in new models like the Voxy & Noah and Land Cruiser 200. This also contributed to CO WERK CO., LTD that

came under the Toyota Boshoku umbrella as a subsidiary and the start of production at the Toyota Boshoku Shiga Plant. This success was not replicated in operating income, however, which fell 2.3 billion yen (10%) on the previous year to 19.8 billion yen. The drop reflects costs incurred in preparing production of the Shiga Plant and other priority investment in the future.

In 2009, we predict an increase in sales of 5.8 billion yen (1%) to 755.0 billion yen on the back of new models such as the Alphard and Crown, while reinforcement of the development and production engineering workforce as well as capital investments are foreseen to cause year-on-year drop in operating income of 1.7 billion yen (9%) to 18.0 billion yen.

North, Central and South America (USA, Canada, Mexico, Argentina)

Two new production bases in the USA helps create an efficient production and supply structure

The North American economy was slowed by the subprime mortgage crisis, and spiraling fuel costs conspired to bring about a conspicuous slump in sales of larger vehicles.

Despite this, the company established TOYOTA BOSHOKU MISSISSIPPI, LLC. (Fulton, Mississippi, USA) in August 2007 to produce seats and door trims, and TOYOTA BOSHOKU INDIANA, LLC. (Princeton, Indiana, USA) in October 2007 to produce seat frames. The two new production bases contribute to the creation of an efficient production and supply structure.

While large vehicle sales stagnated, the Camry enjoyed a robust increase. This, combined with new orders for air filters for General Motors, increased intake manifold production capacity and difference in the product mix saw sales in North, Central and South America increase 3.2 billion yen (1%) in 2008 to 233.5 billion yen. Operating income, however, were down 5.0 billion yen (39%) on the previous year at 7.7 billion yen. This can be attributed to costs incurred in preparing to commence operations at a new Canadian subsidiary, investment costs for TOYOTA BOSHOKU MISSISSIPPI, LLC. and TOYOTA BOSHOKU INDIANA, LLC., fixed costs for

Performance in fiscal 2007 by region

reinforcement of the regional management companies corporate structure and changes in the product composition of existing companies.

Despite production of components for the RAV4 starting in Canada, the effects of exchange rates mean we forecast sales of 216.0 billion in 2009, which represents a decrease of 17.5 billion yen (7%) compared with 2008. Operating income, too, are predicted to suffer a 6.2 billion yen (81%) year-on-year drop to 1.5 billion yen, although this can be attributed to costs incurred in stepping up preparations for production at our new subsidiaries in Canada, Mississippi and Indiana, as well as investments such as strengthening of the business foundation of the regional management companies for the future.

Asia (China, Thailand, Vietnam, the Philippines, Indonesia, India, etc.)

Economic growth in emerging countries spurs pleasing financial performance. Sales 212.2 billion yen; 45% increase from 2007

Our performance in Asia was pleasing in 2008, helped along by economic growth in China and other emerging countries. Production of interior components increased for most models aimed at the Chinese market and others, including the Crown and Reiz (known as the Mark X in Japan). We also started on a reorganization. A Thailand affiliate became a subsidiary in July 2007 to help boost our development and production structure in Thailand and the ASEAN nations, while the regional management companies in China was reformed in December 2007 from a commercial venture into an investment company as a means of bolstering its management functions.

The production of Camry components in Guangzhou, China, and of oil filters in Foshan, China were major contributors to the company's robust performance. Together with the start of production of Toyota's global model, the Corolla, in Thailand and Tianjin, China and the expansion of our production base by welcoming another subsidiary in Thailand, all helped propel sales to a year-on-year increase of 66.2 billion yen (45%) to reach 212.2 billion yen.

Operating income, too, increased by 18.6 billion yen (144%) over the previous year to 31.6 billion yen on the back of improved sales and incomes, and the one time amortization

of business commencement expense of Chinese subsidiaries in the previous year, which eliminated such large losses as of the previous year, and ensured we ended up with a profit for the year.

While a stronger yen will have an influence in 2009, if we can get the production of Corolla components on the right track in Tianjin, China, that, combined with the start of production of Yaris components in Guangzhou, China, will see us attain our target of 237.0 billion yen - up 15.1 billion yen (7%) over 2008. We also predict that increased production and revenue, combined with streamlining efforts will allow us to maintain our profit ratio of 14%, and increase operating income by 2.0 billion yen (6%) over 2008 to 33.5 billion yen.

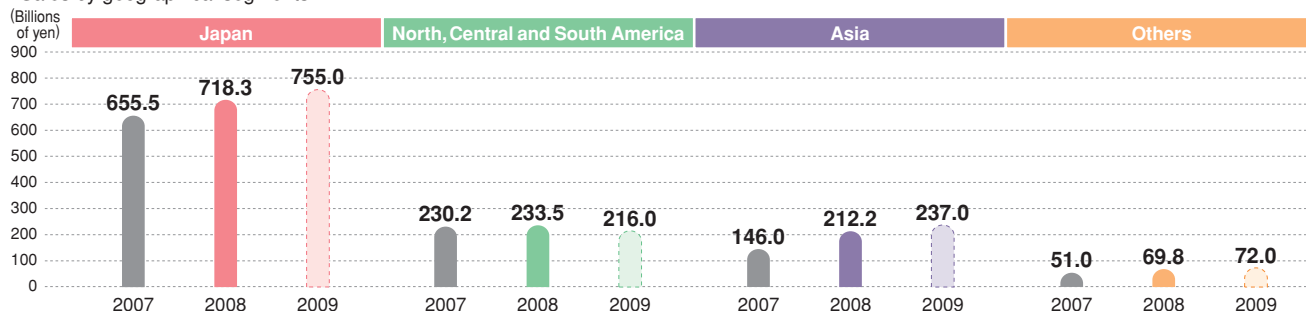
Others (Belgium, Turkey, South Africa, Australia, Russia, etc.)

Sales increase strongly and production starts at Toyota Boshoku LLC. in Russia

In other regions, production of the Camry interior components in Australia maintained its strong trend. While the start of production of components for Toyota's global model, the Corolla, in South Africa helped increase sales. Toyota Boshoku LLC. was also brought on line to coincide with the start of production of the Camry in that country. Elsewhere, we received a considerable boost from bumper production by a French subsidiary and the internalization of metal production in Turkey, resulting in an increase in sales of 18.7 billion yen (37%) over 2007 to 69.8 billion yen. Operating income jumped an astounding 5.0 billion yen (50 times) over the previous year to reach 5.1 billion thanks to increased sales and incomes, as well as the recovery from losses incurred in 2007 to prepare for production at South African and Australian subsidiaries.

While a stronger yen will have an influence in 2009, we forecast that production of Corolla components will be on the right track in South Africa, combined with the start of production of new products, will see an increase in sales of 1.7 billion yen (2%) over 2008 to 72.0 billion yen. However, operating income are predicted to slide 1.1 billion yen (22%) from the previous year to 4.0 billion yen as a result of temporary costs incurred to develop and prepare for the production of new products.

Sales by geographical segments



TOYOTA BOSHOKU CORPORATION Fiscal years ended March 31

Our Involvement with the Society

Toyota Boshoku carries out its business operations and social activities based on its corporate philosophy of "promoting corporate growth while fulfilling our responsibilities as a good corporate citizen." Below is a report on the activities the company took in fiscal 2007 to fulfill the trust of all its stakeholders.



CSR Activities in Fiscal 2007	29
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Reforestation Activities (Kashimo, Nakatsugawa City, Gifu Prefecture)	43

CSR Activities in Fiscal 2007

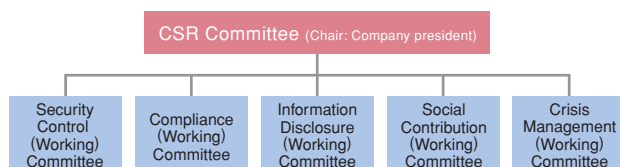
The Toyota Boshoku Group is committed to increasing the satisfaction of all stakeholders through the fulfillment of corporate social responsibility based on the Toyota Boshoku's Corporate Philosophy (details on p. 30). Toward that end, the Group has defined the objectives of CSR activities as:

1. To win the trust of society, customers, shareholders, and suppliers; and
2. To pursue being a company where employees can work with enthusiasm.

Below are the activities the company took and the challenges we faced in fiscal 2007.

Putting an range of initiatives into action Investing effort in the development of the risk management platform

Toyota Boshoku has established five working committees as substructures to the CSR Committee chaired by the company president. The company is working to push its CSR activities forward through this effective structure that enables more specific discussions and concrete actions.



In fiscal 2007, Toyota Boshoku undertook an array of CSR efforts. These were geared toward fulfilling the objectives of CSR activities indicated above and undertaken with the aim of achieving "steady promotion of CSR activities," which is part of the Group's Fiscal 2007 Global Policy (details on p. 31). Specifically, the CSR Committee, each of its working committees, and relevant conference bodies continually held meetings throughout the year. They promoted activities including health and safety activities (details on p. 36), the

reduction of CO₂ (details on p. 53), and - as global social contributions - the development of young people (details on p. 41) and reforestation activities (details on p. 43).

In addition, the committees worked on infrastructure development for security control and crisis management, including revising rules and establishing and developing guidelines to advance risk management. They took steps to ensure thorough group-wide familiarity with these developments and to promote the establishment of a common base.

Establishment of medium-term challenges Aiming to be a more trustworthy corporate

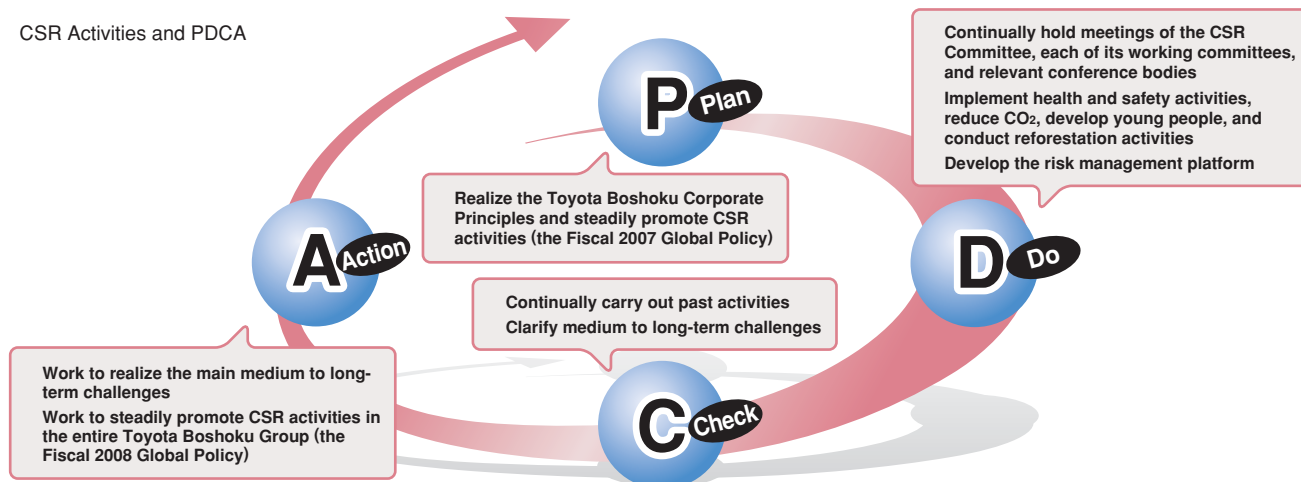
At the same time, Toyota Boshoku has started clarifying challenges in its CSR activities, taking a serious look back on its past activities and verifying what is truly important for society and for the Toyota Boshoku Group. The Group has organized the importance of CSR challenges and established challenges that should be addressed in the medium to long-term (see table below).

While working on these challenges in the future, the Toyota Boshoku Group is determined to make every effort to win even greater trust through a variety of activities as a corporate group that serves a truly useful purpose in society.

Main medium to long-term challenges

- Diffuse the Toyota Boshoku Group's CSR philosophy to group companies overseas.
- Enhance progress monitoring for CSR activities at group companies in Japan.
- Improve and strengthen internal systems for more quickly gathering information on crises (natural disasters and accidents having a major impact on human life, property, and overall business activities).
- Propose and promote reforestation activities as programs in Japan and local joint programs run by regional management companies.
- Strengthen global warming prevention measures.

CSR Activities and PDCA



Corporate Philosophy / Vision / TB Way / Global Management / Corporate Governance

Corporate Philosophy

Toyota Boshoku aims to continue developing as a company that contributes to society and grow in harmony with our local communities as a good corporate citizen. We have instituted the Toyota Boshoku's Corporate Philosophy so that we may continue to enjoy the trust of our shareholders, investors, and all other stakeholders. We shall fulfill our corporate responsibilities through company activities based on these principles.

Toyota Boshoku's Corporate Philosophy

Toyota Boshoku will:

Promote corporate growth while fulfilling the following responsibilities as a good corporate citizen. To this end, it will

- 1) Maintain ethical values, ensuring our corporate activities are fair and transparent;
- 2) Supply safe products that do not harm the natural world, and promote corporate activities that protect the global environment;
- 3) Contribute to society as a member of various local communities.

Develop innovative technologies and products that satisfy customers and respect product standards.

Promote innovative management policies that ensure future corporate growth and the trust of our shareholders.

Respect the individuality of our employees and ensure that the workplace is safe and easy to work in, fulfilling our duty to strive for harmonious labor-management relations.

Promote amicable business relations with our clients, joining with them to increase mutual know-how and ensure mutual long-term growth.

Group Vision

Our goal is to become a truly global company that flourishes in each key region of the world as a top-tier automotive interior systems supplier and filter manufacturer.

1 Comfortable car interiors

Having the greatest competitive potential in terms of quality, cost performance and on-time delivery (QCD)

Enjoying the trust of automotive manufacturers for every aspect of the car interior, from original concept and development to design and production

Fully satisfying user expectations of comfort, quiet and attractiveness

Supplying, on time, products designed for safety and environmental protection

Developing unique technologies and products

2 World-class automotive filters

Being a strong system manufacturer, able to plan and design total air induction systems

Developing next-generation technologies for air-conditioning and lubrication systems

Satisfying the needs of society

(environmental protection, energy conservation, health maintenance)

3 Global supply system

Creating development and production systems that can meet customer needs anytime, anywhere

Achieving highest QCD performance in each region

Realizing region-based efficient and autonomous business operations led by the regional administrative, development and sales headquarters

TB Way

In 2005, the company set out the "TB Way" to enable all employees to share our corporate philosophy, values, and principles of behavior. To ensure all Group employees remain aware of the TB Way and act in accordance with it, pocket-sized TB Way cards are distributed to all personnel. The company also conducts a variety of programs to educate employees in these principles.

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

- 1 We meet challenges with courage and creativity, to realize our dreams.
- 2 We carry out Kaizen continuously, aiming to achieve higher goals.
- 3 We practice Genchi Genbutsu by going to the sources to analyze 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 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.

Global Management Single Global Company

The Toyota Boshoku Group consists of 86 companies based around the world. These companies are divided into five regions (North, Central, and South America, China, ASEAN/Australia/India, Europe/South Africa, and Japan). A management company in each region manages the integrated production businesses.

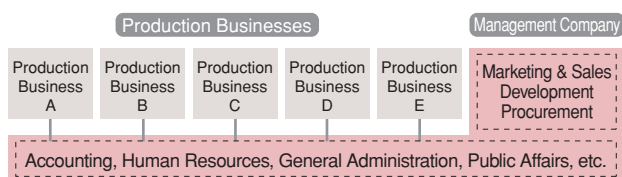


Instead of merely controlling production businesses through capital ties, Toyota Boshoku's regional management companies have built structures that integrate production businesses in each region like a single company. In addition to handling accounting, human resources, general administration, and public affairs, the management

Corporate Philosophy / Vision / TB Way / Global Management / Corporate Governance

companies have the ability to produce greater effects by centrally managing marketing & sales, development, and procurement for each region so that the production businesses can concentrate on production.

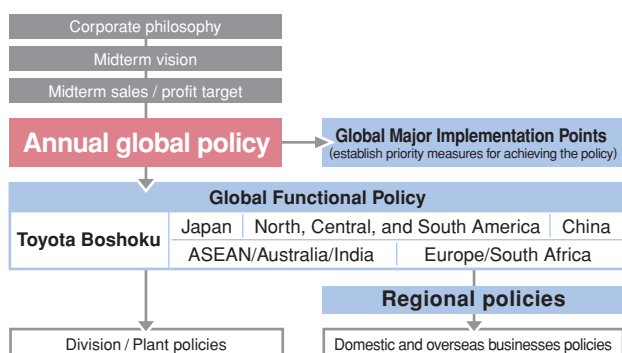
In addition, as mechanisms for strengthening its organization as a single global company, Toyota Boshoku established officers meetings in each region and determined directions for important matters with the Global home office. It also formulated global approval rules and clarified authority and responsibility for the independence of each region.



Global Policy

Based on its corporate philosophy (details on p. 30), the Toyota Boshoku Group formulates annual global policy for each fiscal year in order to achieve its medium-term vision. The Global home office and each region translate the policy into action together.

Each business entity draws up their own policy, working down the line through the annual global policy, the head office policy, and the regional policy. Each site worldwide has put integrated global management into practice.



Corporate Governance

To maintain the trust of all our stakeholders, Toyota Boshoku has prepared a Group-wide governance system enabling us to respond rapidly to changes in the business environment as we endeavor to ensure sound, transparent, and highly efficient business practices.

Board of Directors

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

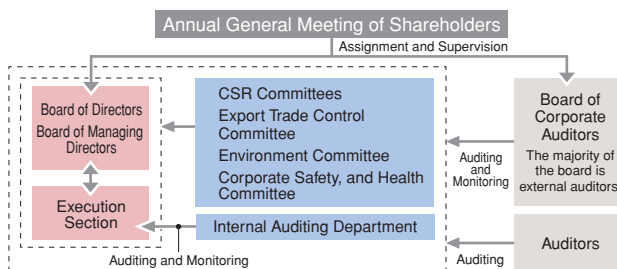
execution of operations.

Auditor System

The company now utilizes an "auditor system" in which five auditors (including three outside auditors) attend key company meetings, conduct audit hearings and visiting audits, and monitor the administrative activities of directors and the administration and financial affairs of subsidiaries in Japan and overseas. In addition to the auditors, the company also has established a dedicated post for internal auditing.

Executive Officer System

Toyota Boshoku 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 needed in executing operations.



Current Condition of Internal Controls

Toyota Boshoku established the TB Way, which clearly expresses the Group's managerial convictions, values, and principles of behavior to foster a sound corporate culture within the Group. It also ensures thorough adherence to the Toyota Boshoku Group Code of Conduct - the mental attitude assumed while performing one's work - through various educational programs for employees.

The Internal Auditing Department works to prevent misbehavior and mistakes by auditing each internal division as well as domestic and overseas business sites and evaluating the effectiveness of internal controls. Audit results are reported to top executives, who also receive advice from auditors and cooperate with auditors in the conduct of auditing activities.

Disclosure

Toyota Boshoku established a Corporate Information Management Meeting to promote fair and transparent management and is working to disclose corporate information in a timely manner.

The company is also striving to strengthen communication with all stakeholders, including putting effort into IR activities, holding results briefings and company information sessions for individual investors, and enhancing investor information on the company's homepage.

Compliance

Compliance Promotion and Policy

Legal and regulatory compliance as well as thoroughly fair and transparent corporate activities are needed to win and maintain the trust of society as a good corporate citizen. To that end, it is essential that individual employees have proper awareness, make appropriate judgments, and act responsibly.

Toyota Boshoku has declared in its corporate philosophy as "promoting corporate growth while fulfilling our responsibilities as a good corporate citizen." As it undertakes business activities around the world, it instructs employees who work at the main company and group companies to practice behavior with good sense and awareness as a member of the Group.

Compliance Promotion System

The CSR Committee formulates basic policies related to compliance, deliberates important matters, and follows up on the progress of compliance measures in order to strengthen compliance group-wide. Internal committees based in departments in charge of defined functions, such as human resources and labor, intellectual property, and the environment, implement improvement activities designed to ensure compliance with relevant laws and regulations.

Domestic and overseas group companies push forward the development of their own compliance systems. At the same time, they undertake initiatives and hold training sessions in cooperation among themselves and work on compliance activities as a unified group. In fiscal 2007, the Group strove to build up its system for compliance promotion, including launching regional CSR committees at management companies outside Japan and a CSR committee for affiliated companies in Japan.

Function-based Improvements Activities based in Departments in Charge

Area	Main risks	Internal Committees
Employment management	Working hours management, employment matters, harassment, etc.	Human Resources Meeting
Safety and health	Working environment, industrial accidents, mental health, etc.	Corporate Safety, and Health Committee
Quality	Quality defects, customer services, etc.	Quality Meeting
Environment	Environmental measures, soil and groundwater pollution, etc.	Environment Committee
Land and buildings	Building codes, matters relating to Fire Service Law	Production Meeting
Export matters	Export transactions	Export Trade Control Committee
Technology matters	Intellectual property, etc.	Technology Management Meeting

Thorough Enforcement of the Code of Conduct

In February 2008, the Toyota Boshoku Group revised its old

code of conduct and established the Toyota Boshoku Group Code of Conduct. This move is aimed at clarifying the basic conduct that should be taken by all companies in the Group and spreading among all employees the kind of conduct that should be taken in light of compliance requirements. This code of conduct is the basis of business conduct in the Toyota Boshoku Group, which continually works to ensure its penetration throughout the Group through education and training sessions. Moreover, the Group distributes pocket-sized versions of the Toyota Boshoku Group Code of Conduct, which are carried by all employees.



Compliance Education

Toyota Boshoku is working to spread compliance awareness by conducting various compliance-related educational and training sessions for company officers, employees, subsidiaries, and suppliers. Moreover, the Group has designated October as Corporate Ethics Reinforcement Month. During the month of October, message from the president is sent out, lectures are given by outside instructors, and other activities are undertaken with the aim of ensuring thorough group-wide familiarity with compliance. In the Corporate Ethics Reinforcement Month in fiscal 2007, approximately 80 people from the internal divisions and subsidiaries in Japan attended a compliance lecture held at the headquarters in Kariya.



Compliance lecture

Firm Establishment of Compliance

Toyota Boshoku is firmly establishing compliance by uncovering the existence of inappropriate behavior on the part of companies or employees through efforts including inside and outside audits and voluntary inspections concerning legal and regulatory compliance. Measures to prevent a recurrence are implemented when problems are identified. In fiscal 2007, the company conducted a full check of legal and regulatory compliance at internal divisions and affiliated companies in Japan. Risks for legal violations were identified and countermeasures implemented.

Establishment of Consultation and Report Contacts

Toyota Boshoku has prepared an environment in which it is easy to seek consultations relating to compliance or to report compliance issues. Employees can seek consultations or report issues relating to matters such as workplace trouble, legal violations, and internal misconduct through the Anything Goes Counseling Office set up within the company or report issues through designated attorneys outside the company. In fiscal 2007, these contacts received approximately 750 consultations and/or reports.

Our Involvement with Our Customers

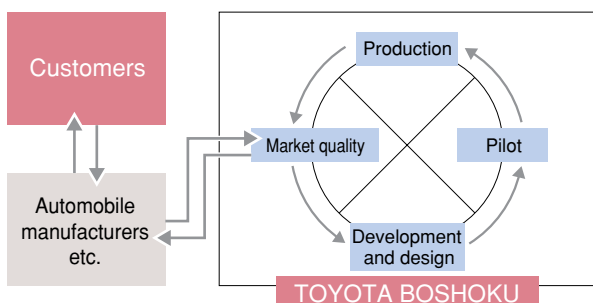
TOYOTA BOSHOKU customer-first activities

We continue to promote our Toyota Boshoku customer-first (TB-CF) program which started in fiscal 2006, to pursue customer-oriented manufacturing. This perpetuates the thinking of the company's founder Sakichi Toyoda - "A product should never be sold unless it has been carefully manufactured and has been tested thoroughly and satisfactorily." In order to provide products that stimulate and satisfy customers, all sectors of the Toyota Boshoku Group including design, production engineering, and production collaborate in activities towards improving quality.

Quality assurance system

We are allowed to know the requirements and complaints of customers through automobile manufacturers without delay. In addition, we also seek to gain access to the opinions of customers in the American market through *genchi genbutsu** by placing locally resident employees wherever they can obtain valuable quantitative and qualitative information. We use the information we obtain to improve current products, but more importantly, we incorporate our findings in the design themes for next-generation models to ensure that we respond to the requirements of the customer.

*Travel to the actual location, obtain valuable quantitative and qualitative information, make decisions and act.



Jikotei-kanketsu

Proper completion of processes is a concept in which defective products are not only "not shipped from your own process", but they are "not made at all" either. Toyota Boshoku Group works together with suppliers to implement quality assurance in each process based on the motto, "Decide, comply, and check".

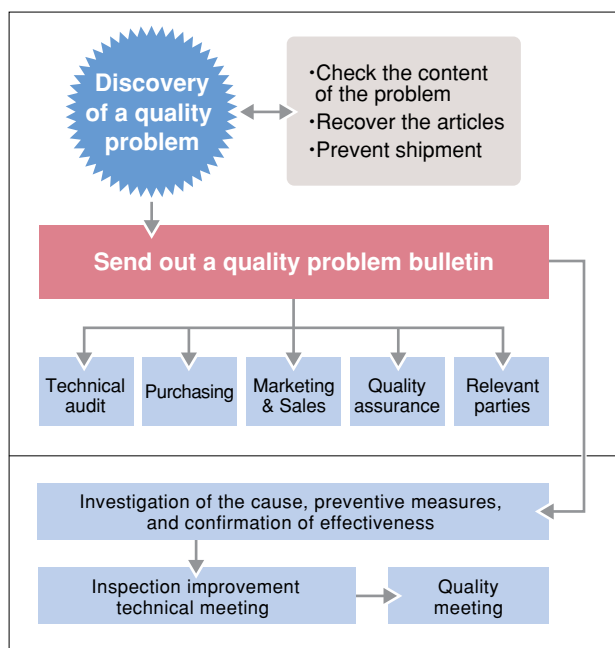
In fiscal 2007, we held two Quality exhibitions. Through educational tools and improvement businesses, employees understand the aim of proper completion of processes, and in turn work to improve product qualities.



Quality exhibition

Evaluation that takes into account the customer's method of use

Testing and evaluation is conducted throughout the development stage. However, directly before a product launch we carry out an additional durability evaluation (USE evaluation) that takes into account the frequency with which the customer will use the product in the course of a year, and the method of use. We then take prompt measures to remedy any problems that arise.



ISO/TS 16949 certified

In order to improve the quality and efficiency of work based on a quality management system that eliminates waste and error, we obtained ISO/TS 16949 certification at four domestic plants and 20 overseas companies. ISO/TS 16949 is the quality management system of the European and American automotive industry. The certified plants and businesses conduct internal audits every year in an effort to ensure continuous improvement.

Seven companies were certified in fiscal 2007.

TB DE MEXICO, S.A. DE C.V.
Ningbo ARACO Co., Ltd.
SHANGHAI TOYOTA BOSHOKU
AUTOMOTIVE PARTS CO., LTD.
TOYOTA BOSHOKU FOSHAN Co., Ltd.
S.K. AUTO INTERIOR CO., LTD.
TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED
TOYOTA BOSHOKU AUSTRALIA PTY LTD

Our Involvement with Our Shareholders and Investors

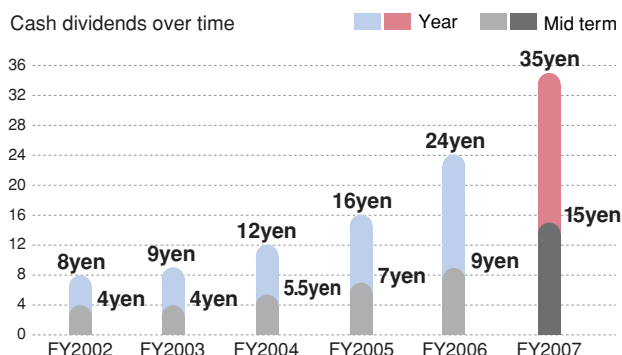
Our basic viewpoint

Toyota Boshoku is working to improve its corporate value to meet the support and trust of shareholders and investors. The company regards the distribution of profits to shareholders and investors as an important management policy. Accordingly, it makes efforts to enhance and strengthen its corporate structure and aggressively expand its business. Going forward, it will continue pursuing improved corporate value through long-term, stable growth. It will also strive to ensure management transparency by disclosing business and financial information in a timely and appropriate manner.

Fiscal 2007 performance and distribution of profits

Consolidated net sales for fiscal 2007 increased by 151.0 billion yen (14%) over the previous year to 1,233.8 billion yen on increased production of seats and door trim. Ordinary incomes increased by 13.5 billion yen (26%) over the prior year to 65.7 billion yen thanks to increased production and increased revenue as well as group-wide rationalization, marking the ninth straight period of increased revenue and incomes.

Including a 2 yen dividend commemorating the company's 90th anniversary, cash dividends were increased by 11 yen over the previous year to 35 yen per share (annual). Moreover, return on equity (ROE), which is emphasized as an indicator of a shareholder's investment, was recorded at 23.5%.



Communication with shareholders and investors

Briefings for analysts and investors

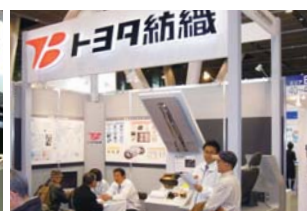
Toyota Boshoku regularly holds results briefings led by the company president and executive officers to gain the understanding of analysts and institutional investors regarding the company's financial condition and business strategies. The two briefings held in fiscal 2007 were attended by large numbers of analysts and institutional investors. The company also makes individual visits to and accepts interviews from analysts and institutional investors at any time.

The company actively participates in IR fairs for individual

investors held in Tokyo and Nagoya as opportunities to communicate with individual investors. For example, it exhibited at the Nagoya Stock Exchange IR Expo 2007 (July 13-14, 2007) and the Nomura Asset Management Fair (Tokyo) (November 30-December 1, 2007).



Exhibiting at the Nagoya Stock Exchange IR Expo 2007



Exhibiting at an IR fair in Tokyo

Plant tour for shareholders

On January 24, 2008, Toyota Boshoku invited 100 shareholders to the Sanage Plant for a plant tour. The tour participants observed the seat assembly process and door trim basic material formation process, which are the company's core businesses. In this way, it enabled shareholders to gain a deeper understanding of the company.



Plant tour for shareholders

Disclosing shareholder and investor information via the company's homepage

Toyota Boshoku is committed to fair and prompt information disclosure. The company's homepage includes a section for disclosing information to shareholders and investors. Brief announcements of financial results and other financial data as well as press releases are posted to the homepage at the same time that they are released to stock exchanges and media organizations.



(<http://www.toyota-boshoku.co.jp/en/investment/index.html>)

Main IR activities in fiscal 2007

Target	Activity
Institutional investors, analysts	Results briefings (semiannually) Plant tours (as needed in and outside Japan) Individual visits (as needed) Acceptance of interviews (as needed), etc.
Individual investors, shareholders	IR fairs (Tokyo, Nagoya, etc.) Company information sessions for individual investors (as needed) Plant tour for shareholders (annually), etc.

Our Involvement with Our Suppliers

Our basic viewpoint

Toyota Boshoku Group procures parts, raw materials and equipment from many suppliers in a wide range of sectors. We work to procure reasonably priced, high quality items in a timely manner through fair and open transactions for the mutual benefit of each company. At the same time, through cooperation with our suppliers, we aim to meet our social responsibilities towards environmental protection and other important issues.

Procurement policy briefings

Every year the company holds a procurement policy briefing for its principal suppliers to explain the business environment of the company and its current direction in order to gain their understanding of and cooperation regarding the procurement policy. The fiscal 2007 briefing was held on April 26. In addition to communicating our procurement policy, the company took the briefing as an opportunity to strengthen cooperation with suppliers on issues such as environmental standards, quality, cost, technology, and CSR.

Legal compliance

Toyota Boshoku complies with social norms and the letter and spirit of the law. We comply with antitrust and subcontracting laws as a matter of course, and regard compliance with labor and environmental laws as the foundation of its corporate activities. For that reason, the company has established compliance topics for important areas, drawn up action plans, and promotes their observance through committees.

The Toyota Boshoku Group Code of Conduct specifies a code of behavior for procurement activities that achieve trust and sympathy in relations with suppliers. Members of the Toyota Boshoku Group pledge to behave in accordance with these guidelines and to adhere to a stance of "doing what should be done and not doing what should not be done."

In fiscal 2007, the company held workshops on subcontracting law lead by outside instructors. Members of relevant departments in addition to the Purchasing Division participated and deepened their understanding of the obligations required of parent businesses and prohibited activities.

Green procurement and purchasing

At all our plants, Toyota Boshoku strives to procure parts and raw materials with little environmental impact from environmentally responsible companies. The company regards the development and provision of environmentally friendly products and the pursuit of the world's cleanest plants as very important matters. Accordingly, we aggressively push these activities forward together with our

suppliers. With the aim of helping to establish a recycling oriented society, the company proactively pursues green procurement and purchasing by preferentially purchasing energy-efficient equipment and green office supplies. In fiscal 2007, we continued to implement green procurement and purchasing at each site, including the installation of inverter/air compressors (Gotemba).

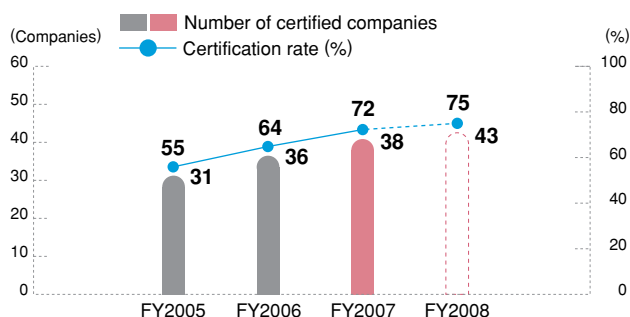
Environmental protection

To help achieve a recycling oriented society, Toyota Boshoku cannot rely on its efforts alone; coordinating environmental protection activities with its suppliers is essential. The company requires its suppliers of parts, raw materials, auxiliary materials, and equipment to establish an environmental management system based on the acquisition of ISO 14001 certification. As a result, in fiscal 2007, 38 of its 53 major suppliers had acquired ISO 14001 certification, pushing the acquisition rate up to approximately 72%.

Moreover, the company is stepping up its efforts to comply with various environmental regulations. It is working actively with suppliers to ensure compliance with the REACH* regulation (a European regulation on chemicals) that will start official operations in the future.

*REACH: Registration, Evaluation, Authorization and Restriction of Chemicals. A regulation that establishes restrictions on the sale and use in products of chemical substances that have been confirmed as hazardous in human toxicity studies by testing 30,000 chemical substances distributed in Europe in quantities of one ton or more per year.

Targets and results for ISO 14001 certification at major supplier companies



Our Involvement with Our Employees

Safety and Health

Basic Safety and Health Policy and accident prevention activities

Ensuring safe and secure workplaces is an important effort that forms the foundation of any business. Toyota Boshoku has codified this concept in a Basic Safety and Health Policy. In cooperation with all Toyota Boshoku Group companies in the Group's five worldwide bases (Japan, North, Central, and South America, China, ASEAN/Australia/India and Europe/South Africa), the company undertakes a range of safety activities with the aim of creating workplaces where employees can work with peace of mind. In fiscal 2007, we started expanding its lockout system*1 to companies outside Japan as a mainstay accident prevention activity. In another such activity, we made efforts to strengthen safety preparedness through inspections, preventive measures and guidance, in part by continuing to implement STOP6*2 safety checks as in fiscal 2006.



A safety inspection by the China Environment, Safety, and Health Committee

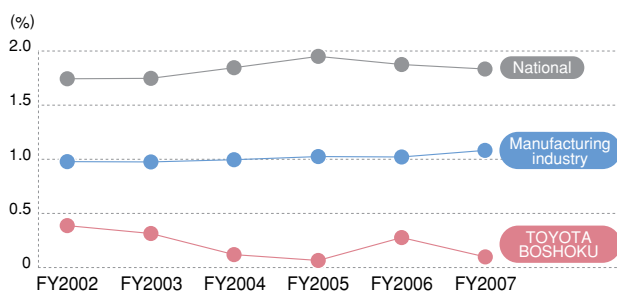
*1 Lockout system: A system for locking the equipment after an abnormality or other problem causes shut off of the power supply. This prevents accidental operation by parties who may be unaware of the malfunction.

*2 STOP6: Six accidents that may cause fatal accidents (being caught in machines, contact with heavy objects, contact with vehicles, falling, electrocution, and contact with heated objects).

Basic Safety and Health Policy

In order to ensure building corporate culture of safety first, We declare that we would not
·produce ·handle ·transport ·dispose
unless people's safety, health and environment
are protected.

Incidence of industrial accidents
(total frequency rate) (Fiscal 2002-2007)



Start of training for safety persons in charge outside Japan

The company started providing training to persons in charge of safety and health and environmental issues outside of

Japan to deepen mutual understanding and ensure thorough companywide familiarity with Toyota Boshoku's philosophy regarding safety and health. In fiscal 2007, five days training session at the Sanage Plant was given to 14 people from 14 companies in China in March 2008. The participants learned about the Toyota Boshoku Group's occupational safety and health activities and corrective action rules, among other matters. In fiscal 2008, the company plans to hold training sessions for persons in charge from ASEAN, the Americas, and Europe with the aim of improving the level of safety and health management group-wide.



Participants of the first training session

Building healthy minds and bodies

Toyota Boshoku is concerned about creating workplaces where all employees can work with health and vitality. Toward that end, our health management staff and industrial physicians work together to support efforts to maintain and improve physical and psychological health.

Preventing lifestyle related diseases

The company has prepared clear and persuasive educational materials to encourage employees with lifestyle related diseases or any symptoms, to take responsibility for acting to build their own health. The materials are used to provide health guidance to persons with metabolic syndrome and during health management classes.



Educational materials for building health

Mental health diagnoses and mental health education
 The company provides objective mental health diagnoses to enable employees to understand the level of their mental health. It recommends employees whose diagnostic results indicate a health problem to utilize the services of a professional counseling office. Moreover, it is working to improve workplace environments by statistically processing the data, analyzing the degree of health of organizations and groups, and comprehensively ascertaining the status of health within the company.

In fiscal 2007, mental health diagnoses were given to approximately 2,600 people in engineering and other departments (about 1 in 3 of all employees). The company aims to give these diagnoses to all employees by fiscal 2009. Additionally, we regularly hold mental health lectures by industrial physicians (held five times).



Mental health lectures by industrial physicians

Our Involvement with Our Employees

Development of Human Resources and Career Support

Development of human resources

Construction of a Global Learning Center

In March 2008, Toyota Boshoku started construction of a Global Learning Center in the city of Toyota, Aichi Prefecture. The learning center will be used for the human resources development and reinforcement for the Group's employees who work in 21 countries and regions worldwide. It is being built as a training base for various informal activities such as the education of domestic and overseas executives, the pre-assignment education for expatriates, training by job classification, rank-based group gathering. The center will be fully equipped with lodging facilities and training rooms complete with interpreter booths for holding conferences and training sessions in multiple languages to accommodate the training of employees from overseas affiliates. The training center is scheduled to be completed in October 2008 and used from November.



Conceptual drawing of the Global Learning Center

Second Technical Skills Contest

Toyota Boshoku holds an annual technical skills contest to encourage the improvement of the level of technical skills group-wide while also passing along the technical skills of outstanding engineers to the next generation. The second contest was held in fiscal 2007 on October 21. Approximately 118 people participated from 17 departments within the company and 13 affiliates in Japan. In the future, the company will increase the number of competing occupational categories and hold world contests including overseas affiliates as well as domestic affiliates with the aim of improving the level of technical skills throughout the entire Group.



Electric maintenance section, technical skills contest

Participant voice from the second technical skills contest

A safety-first approach led to my win.

First-place winner in the crane section

Kazuhito Takahashi Gifu Bumper Manufacturing Dept.

The detailed and careful instruction of my superiors who immediately warn me whenever I deviate from the standard procedure plus my own continual safety checking with pointing and calling based on a personal motto of safety-first became my technique and led to my first-place win. I am very happy that it appears my daily diligence at work has been recognized.



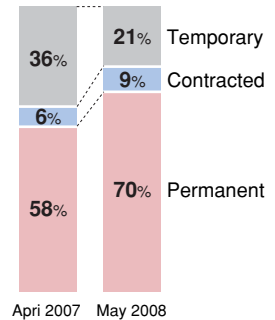
Career support

Promotion of temporary employees at manufacturing sites to permanent employees

Toyota Boshoku promotes outstanding contracted employees who approach their work with enthusiasm to permanent employee status.

In fiscal 2006, the company promoted 81 people. In fiscal 2007, it promoted a total of 199 people in three promotion periods, 2.45 times the year before. The company plans to again promote outstanding human resources this year.

Percentage of regular employees at manufacturing sites over time



Labor-Management Relations

Labor-Management relations

The company seeks to foster excellent labor relations based on mutual trust. Through dialog in various formats between labor and management concerning pay and bonuses, work policy, production, safety and other issues, the company seeks to create a safe and vibrant workplace.

Major meeting body

Labor-Management Council	Labor-Management Round Table Conference
Production Committee	Workplace Labor-Management Round Table Conference
Labor-Management Committee	Safety and Health Committee

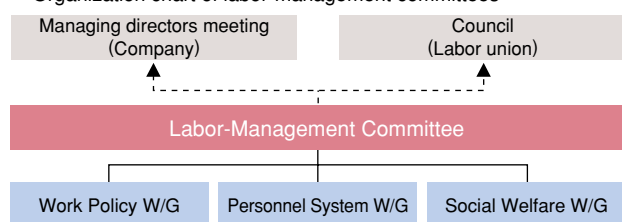
Labor-Management Committees

We have established Labor-Management Committees for discussing a wide range of topics such as management of working hours, review of work policies, improving communication, measures for supporting next-generation training, social welfare and so on. The company plays an active part in this initiative.

Main activities

- Measures for a lively work policy
- Life-plan seminars

Organization chart of labor-management committees



W/G: Working Group

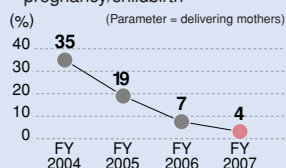
Respecting diversity

Childcare support system

Toyota Boshoku is working to provide workplace environments where employees with a will to work can demonstrate their abilities and work continuously with enthusiasm. The company adopted a maternity and childcare leave system that provides eight weeks of leave before birth and leave up to the child's third birthday. These provisions exceed the legal requirement. What is more, the company also supports the harmonization of work and childcare by opening on-site childcare centers in cooperation among five Toyota Group companies.

Item	Content	
Pregnancy and birth ~ Up to the first birthday	Work restrictions	Exemption from overtime, holiday and night work
	Pre and postnatal maternal welfare	Maternity protection measures in accordance with doctor's directions
	Pre and postnatal leave	8 weeks pre and postnatal (14 weeks prenatal for multiple pregnancy)
	Childcare time	Twice per day (30 min each) in addition to set breaks
Up to the third birthday	Parental leave	Up to the third birthday (After the second child, up to 1 year and 6 months when taken in succession)
	Reduced working hours	Working hours per day can be shortened
Before elementary school age	Work restrictions	•No overtime required beyond a fixed time (Restricted to within 24 h/month and 150 h/year) •Exempted from night work
	Child nursing leave	Nursing for sick or injured children (5 days/year)

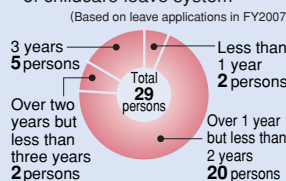
Turnover rate on the grounds of pregnancy/childbirth



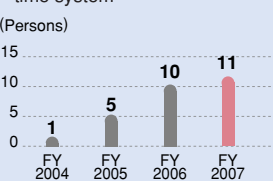
Users of childcare leave system



Period of leave taken by users of childcare leave system



Users of shortened work time system



Establishment of a Special Committee for Considering Measures to Support the Harmonization of Work and Childcare
In June 2007, Toyota Boshoku established a Special

Committee for Considering Measures to Support the Harmonization of Work and Childcare with the aim of reflecting such measures in the company's policy. In this way, the company is enthusiastically supporting employees who are striving to achieve a balance between work and childcare.



Special Committee for Considering Measures to Support the Harmonization of Work and Childcare

About the Special Committee for Considering Measures to Support the Harmonization of Work and Childcare

Toward the realization of workplace environments where all employees with their diverse values can demonstrate their abilities

Yasuhiko Sugie Officer and Manager of the Human Resources Development Div. (now Manager of the Production Control Div.)



I want employees to be able to demonstrate their abilities to the fullest extent. There are times, however, when people cannot demonstrate their abilities fully due to family circumstances or other personal reasons. For that reason, we are moving ahead with the systematization of employee support that starts with supporting the harmonization of work and family. In the past, childcare was generally considered "something that women do." Now, social environments and working styles have diversified. Accordingly, we are considering taking steps to encourage male employees to take childcare leave and working on developing flexible working rules for employees with preschool children. We are also committed to considering the adoption of new systems if employees are having trouble of some kind.

Opening of on-site childcare centers

In January 2007, Toyota Boshoku was among five Toyota Group companies that jointly established a new company, Touchcare Corporation, which runs and manages childcare centers for company employees. The company started operating the centers in October 2007. The five childcare centers are located near the worksites of the companies. They are set up to match the days and hours of operation of each company to enable employees who are pursuing a balance between work and childcare to engage in their work with peace of mind.



Opening childcare centers near the worksites

Supporting post-retirement employment

Since April 2007, Toyota Boshoku's Professional Staff and Skilled Staff systems for all retired workers have been in full-scale operation. These systems are essential for ensuring competitiveness by harnessing the work potential of retirees in the midst of a declining labor force while also giving retirees job satisfaction and something to live for. As of the end of April 2008, 93 persons were rehired. Professional staffs interview all those seeking reemployment and provide employment opportunities outside the company or job placement services for those desiring part-time work.

Our Involvement with Our Employees

Building Pleasant Workplace Environments

Fostering good workplace communication

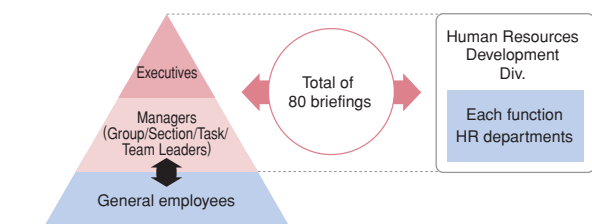
Toyota Boshoku undertakes a range of initiatives with the aim of promoting good workplace communication, which is vital to smooth workplace operations.

10-Comi social gatherings

10-Comi social gatherings are intended to promote communication between superiors, subordinates, and fellow workers through the creation of opportunities for relaxed conversation outside work. The company provides support up to ¥1,000 yen per person and each workplace plans and implements lunch parties and other recreational activities in which everyone participates. In fiscal 2007, 6,985 people from 427 departments joined in these events.

MEET

Toyota Boshoku encourages all employees to become aware of issues and policies relating to personnel and labor and the environment of the company through the Human Resources Development Div. and informal discussions organized by each division. At the same time, the company makes the issues of each workplace known to the Human Resources Development Div. through MEET* events. In fiscal 2007, Spring MEET events were held company-wide over a one-month period in February 2008. The company plans to hold Spring and Autumn MEET events during fiscal 2008.



*MEET:
Make time to communicate, Exchange opinion, Establish relationship of mutual trust and respect and Teamwork!

Employee attitude survey

Moral survey conducted

In 2007, Toyota Boshoku conducted its first moral survey to ascertain employees' will to work and level of satisfaction and to reflect those findings in management policy. The company made an effort to grasp employees' feelings by including a column for writing opinions freely in addition to questions focusing on the challenge of work, the vigor of workplaces, and awareness of the corporate structure. The survey, which was given to 1,274 people on a rank basis, received a 91% response rate. The company intends to make use of the results in workplace management by providing managers in each workplace with feedback. It will also use the findings to

revitalize organizations and improve employee satisfaction. Going forward, the company plans to conduct moral surveys periodically.

Company-wide recreational activities

Once a year, Toyota Boshoku holds a softball tournament and *Ekiden* (relay road race) on days off with the aim of fostering a company-wide sense of togetherness and encouraging communication among workplaces members.

Softball tournament

In fiscal 2007, 94 teams competed in the preliminary rounds in June and July and eight teams made it to the finals in September. All together, over 2,000 people participated or came to the fields during the course of the preliminaries and



The victorious teams sharing the joy of winning

finals. The company is considering having selected teams from distant affiliated companies in Kyushu and Shiga play in the finals and expanding the number of teams that play in the finals in the future.

Ekiden

The largest event with full participation by all Toyota Boshoku Group companies, the *Ekiden* is attended by people from domestic affiliates, overseas affiliates, and community residents. In fiscal 2007, the *Ekiden* was held at the Toyota City Sports Park in December. Fifty teams, including five teams from outside Japan (China and Thailand) competed in



The largest event with full participation by all Toyota Boshoku Group companies

the race. In the future, the company plans to have teams from affiliates in Europe and the Americas as well as community residents join the race.

Hosting the *Ekiden*

The *Ekiden* was a huge success, with participation from overseas affiliates

Keisuke Mizuno
Labor Management and Welfare Dept., Human Resources Development Div.

This was our first attempt at having participation from overseas affiliates, and it was a huge success, with different languages flying about. Here and there sweat was gushing and smiles were beaming all around the grounds. I am really glad the event helped foster a sense of togetherness throughout the entire Toyota Boshoku Group.



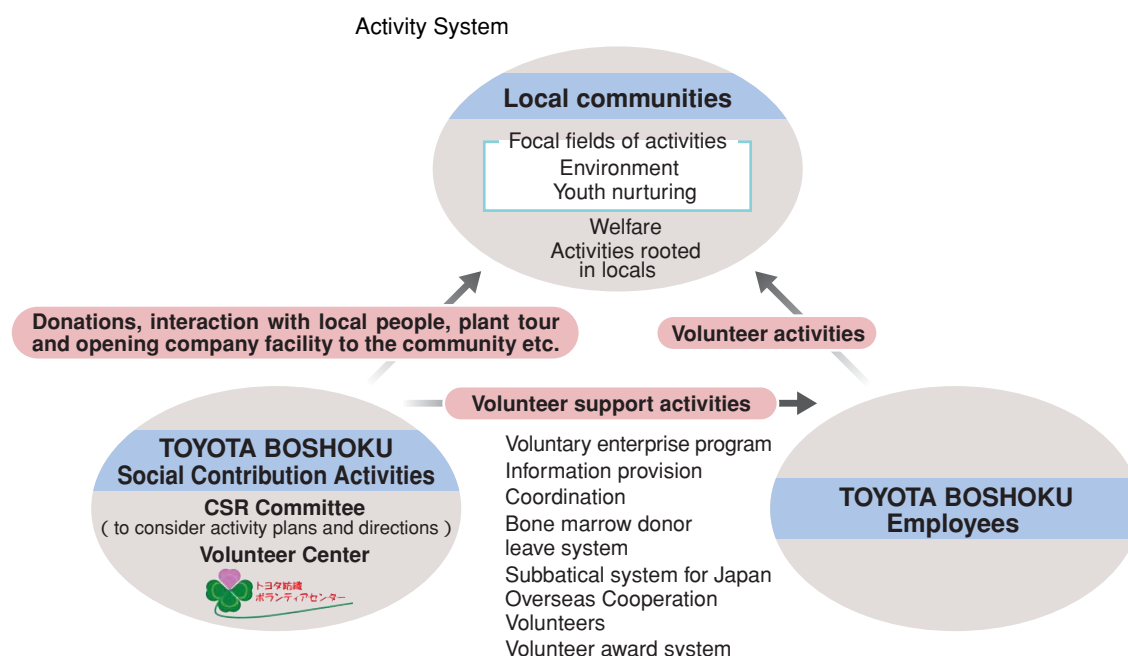
Our Involvement with the Local Communities

Social contribution activities in local communities

In line with our corporate philosophy of "promoting corporate growth while fulfilling our responsibilities as a good corporate citizen", Toyota Boshoku undertakes social contribution activities both in Japan and overseas. Our basic view of social action is to contribute to enabling people around the world to lead affluent and stable lifestyles. In order to be recognized all around the world as a truly global company, we are undertaking proactive social contributions in a form that respects the culture and customs of the countries and regions where we have a presence.

Main areas of contribution

We believe it is important to protect and restore the environment where it is threatened, and make efforts towards securing the future of generations to come. Therefore we are focusing our efforts on two main areas, the environment and the education and development of young people.



Volunteer Support Activities

Toyota Boshoku provides various information and opportunities to further develop employees' interest in and understanding of volunteer activities. The company has established a Volunteer Center that supports employees' volunteer activities, prepared support systems and otherwise created an environment in which employees can engage enthusiastically in volunteer work.

Interaction program with children with down syndrome (Japan)



On August 4-5, 2007, the company held its seventh overnight exchange event - Everyone Smile Together Cruising - with children who are afflicted with Down syndrome. A total of 54 people, including children and adults with Down syndrome and other chromosome disorders, their families, student volunteers, and Toyota Boshoku employees, enjoyed a barbecue at the Mikkabi recreation center and a cruise on Mikawa Bay.

Exchange with persons with disabilities (Japan)



In response to requests by persons with disabilities to experience something out of the ordinary, Toyota Boshoku provided 23 persons with disabilities with a tour of the Toyota Commemorative Museum of Industry and Technology followed a sightseeing flight in a Cessna out of Nagoya Airport. The event took place on October 20, 2007 in cooperation with Utopia Wakamiya, an independent living center for persons with disabilities.

Our Involvement with the Local Communities

Environmental Preservation

Toyota Boshoku carries out social contribution activities throughout the world with the aim of helping to prevent global warming and to protect the natural environment.

Reforestation activities started (Japan)

Refer to p.43

Environment Cleanup Activities (worldwide)



Clean Environment Campaign in Japan (top) and India (right)

In conjunction with Environment Month, all Toyota Boshoku Group companies in and outside Japan conducted an Environment Cleanup Activities in June. Totally 3,076 people helped clean up the areas around the Group's sites.

Tropical Forest Revitalization Project (Indonesia)



Since 2006, Toyota Boshoku has been working on a project to rehabilitate 150 hectares of forest over a five-year period in Bromo Tengger Semeru National Park in Indonesia. The project is being carried out in collaboration with Indonesia's Ministry of Forestry and the Japan International Forestry Promotion and Cooperation Center, a Japanese NGO foundation. The project also contributes to the local community by creating employment and supporting the economy. In fiscal 2007, employees of Toyota Boshoku and our local subsidiary helped plant trees and work on the project together with community residents.

Development of Young People

The Toyota Boshoku Group is committed to supporting children the world over. The entire Group puts effort into activities that help develop young people, including improving their school environments and offering various educational programs.

Junior Support Club (Japan)



The Junior Support Club is a Toyota Boshoku original program for cultivating inner strength and learning the importance of friendship by having children gain various experiences. The program's first activity - a trip to watch the IAAF World Championships in Athletics Osaka 2007 - was held on August 25-26, 2007. Six company employees took 35 elementary school students to see the opening ceremony and competitions. The children seemed to have felt something by watching real athletics competition in person.



Satsuki Takai

(family member of employee)

Seeing people shine while pouring all their might into something made me want to shine too.

Elementary School Construction (Vietnam)



In cooperation with the international NGO Plan Japan*, Toyota Boshoku's Management Association* built an elementary school in Bac Giang Province, Vietnam as part of its social contribution activities. The completion ceremony, held on December 10, 2007, was attended by approximately 750 people, including school and community members, company representatives, and 650 children. Toyota Boshoku Hanoi Co., Ltd., and Toyota Boshoku Haiphong Co., Ltd., cooperated in the school construction. The company also donated stationeries and computers.

*A volunteer organization of Grade 3 managerial class personnel in Toyota Boshoku.

MONO ZUKURI NAZE? NAZE? ("Why Do We Make Things") Project (Japan)



Toyota Boshoku cooperates in the Toyota City Board of Education's young people's development program, which is designed to create an appreciation of manufacturing in elementary and junior high school students. In fiscal 2007, 11 employees participated as automotive repair instructors and work on repairing an old car with the children for one year, thereby communicating the merit and excitement of manufacturing.

Sports Promotion by Corporate Club Team Members (Japan)



Basketball clinic



Special track and field class

On June 2, 2007, the Women's Basketball Club held a basketball clinic for junior and high school students. They gave instruction to 33 high school students and 102 junior high school students. In addition, on June 29, 2007, members of the Track and Field Club held a special track and field class at an elementary school. In this way, the company's employees are helping promote health and fitness among children and contributing to local revitalization through sports instruction and interaction with the community.

Others

Toyota Boshoku is also putting effort into assisting people around the world who need help. The Group undertakes a range of activities together with members of the community in order to remain a company that is trusted by local society.

Relief Clothing Collection Activities (Japan)



On June 2, 2007, the Tsutsumi Plant held a clothing drive for disaster relief. Twelve company employees volunteered to sort the cloths, box them, and load the boxes onto a truck. Approximately 220 employees and community members donated 408 boxes of clothing and provided 276,477 yen for transportation costs. The donated clothing was sent through the NPO Japan Relief Clothing Center to countries and regions with a shortage of clothing.

Welfare Concert: Kariya Performance 2007 (Japan)



On May 30, 2007, eight Toyota Group companies in Kariya, including Toyota Boshoku, cosponsored a welfare concert with the Nagoya Philharmonic at the Kariya's Iris Hall. The concert facilities and content were design for the enjoyment of all, including persons with disabilities. Twenty-two employees from the eight companies helped manage the concert, which was enjoyed by approximately 600 persons with disabilities.

Sweet Potato Digging (Japan)



On November 4, 2007, Toyota Boshoku and the labor union cosponsored a sweet potato digging event in the city of Kariya, Aichi Prefecture. About 250 children from children's associations of Toyo-cho, Kariya City, company employees, and their families enjoyed the event.

Social Contribution Activity (U.S.A.)



In October 2007, Trim Masters, Inc., held a United Way Participation Campaign, a call for donations and participation in volunteer activities through the NPO United Way. Many of the company's employees participated in volunteer activities and rose a total of 114,000 U.S. dollars in donations.

Cooperation with Welfare Group (U.S.A.)



Every year at Christmas time, Total Interior Systems-America, LLC, cooperates with the Salvation Army, a social welfare organization, in the city of Princeton to donate Christmas presents to children. Toyota Boshoku America, Inc., participates in the Adopt a Holiday Program run at Christmas time by the Volunteers of America, a welfare organization in Michigan. The company donated toys and food to more than 8,000 children.

Other Social Contribution Activities

Volunteer support activities Bone marrow donor leave system / Leave system for JOCVs / Volunteer award system, etc.

Environment Safe environmental activity by the Toyota Boshoku Group Thailand (Thailand) / Recycling of industrial waste (Turkey), etc.

Development of young people Interchanges with and donations to local elementary schools (Thailand, Turkey, U.S.A.) / Donations to the local community (Thailand) / Accepting education trainees (Thailand) / Wheelchair donations (China) / Accepting high schools trainees (Turkey), etc.

Others [Social welfare] Supporting the Toyota Hikari no Ie (Japan) / Blood donation activity (Japan, Turkey, China, U.S.A.) / Helping recovery of cancer patients (U.S.A.) / Supporting cancer patients (China)

[Community-based activities] Participating in the Welfare and Health Festival in Toyota City (Japan) / Disaster volunteer training (Japan) / The All Toyota Big Holiday (Japan) / Repair of public properties surrounding the company (Slovakia) / Opening of company facilities such as a gymnasium (Japan) / Participating in the cultural activities of the local community (China) / Contributing donations for the Niigata-Chuetsu Earthquake victims, etc.

Reforestation Activities

Kashimo

Contributing to environmental preservation and local communities through reforestation activities

Environmental initiatives are a priority area among the Toyota Boshoku Group's global social contribution activities. Outside Japan, the Group has been undertaking the Tropical Forest Revitalization Project in Indonesia since 2006. In Japan, the company signed an agreement with Gifu Prefecture and Nakatsugawa City in January 2008 entitled "Reforestation with Corporations: Eco-forest of Toyota Boshoku Group in Kashimo". In this way, it started reforestation as a new activity.

This activity is a model for social contribution activities in which the Toyota Boshoku Group's employees participate. Over a five-year period until March 31, 2013, the company plans to provide approximately 7 million yen in funds and promote community-based activities, including tree planting and forest maintenance activities by employees, woodworking and creative classes using thinned timber, and events for interacting with community residents.



New employees planting trees in fiscal 2008



Overview of Eco-forest of Toyota Boshoku Group in Kashimo

Located in the Kashimo-Butai Pass area in Nakatsugawa City, Gifu Prefecture

Contracted area: 7.05 ha (3.51 ha of forested area)

Tree planting: About 2,000 trees - 11 species of hardwoods such as *Quercus crispula* and Japanese mountain maple and one coniferous species - were planted over a two-year period.

Expected effect: Watershed cultivation, prevention of mountain disasters, and absorption of CO₂ by the trees

Seeking to deepen mutual understanding between rural and urban areas through three-party collaboration on "Creating Living Forests"

For Toyota Boshoku, our first domestic Eco-forest initiatives in Kashimo are also a first as part of efforts to bring together industry, government, and regions to promote "Creating Living Forests" in Gifu Prefecture's "Reforestation with Corporations".

In 2008, starting with the tree-planting activities with new employees, numerous other exchange activities are also planned. These included handicraft workshops and camping on the part of employees and their families and volunteer work by employees in taking care of the Eco-forest in Kashimo. The chance for corporate citizens and people who live in urban areas - who do not often have the chance to enjoy activities in forested areas - to get out to a rural area was a wonderful result. At the same time, the local residents also get the sense that it is a praise-worthy act of corporate contribution.

Forests grow over decades and centuries amid the bounty of nature. I regard the opportunity given to corporate citizens,

government, and local residents to come into contact with such bounteous nature as the highest form of praise.

Up to this point, rural areas (upstream) were not able to convey information to urban areas (downstream) very well. For a region that was not able to accomplish downstream collaboration, these activities are a big chance. Going forward, I hope we can get from upstream the use of lumber, knowledge of the forests, rural culture, and life in the mountains, and that from Toyota Boshoku we can provide a sense of corporate citizenship, our awareness of the environment, lifestyles, and nature as urban dwellers, and that we can deepen our mutual understanding. In addition, we expect people to take in the bounty of the forests of Gifu Prefecture, in which more than half of which is covered in forests, and anticipate even more enjoyable, delightful activities in this three-party collaboration to create living forests.

Kashimo Quality Production Club
Tetsuomi Yasue, Chairman



Our Involvement in the Environment

The environment is one of our company's highest priorities. In fiscal 2007 as well, we were proactively involved in promoting all of the environmental activities in our Y2010 Environmental Initiatives Plan (established in 2005). We will report on the details of those activities here.



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Fiscal 2007 Environmental Preservation Activities

Toyota Boshoku regards preservation of the global environment with a view toward the realization of a sustainable society as one of its corporate social responsibilities. Accordingly, the company strives to reduce environmental impact in all aspects of its business activities. Below is a report of the environmental preservation activities we took in fiscal 2007.

Working aggressively to meet the fiscal 2007 goals in the Y2010 Environmental Action Plan

The Toyota Boshoku Group undertakes environmental preservation activities in line with the TOYOTA BOSHOKU Earth Charter, (details on p. 48) established in 2004. In fiscal 2005, the company established the Y2010 Environmental Action Plan (details on p. 46) as a specific initiative and shared it with the entire group.

The Y2010 Environmental Action Plan sets action items and targets in four areas: (1) prevention of global warming; (2) reduction of substances of concern; (3) recycling of resources; and (4) environmental management.

In fiscal 2007, the Environmental Committee, chaired by the company president, took the lead in taking aggressive action toward the achievement of the fiscal 2007 goals in the Y2010 Environmental Action Plan.

Strengthening environmental preservation initiatives at each site steadily producing results

In fiscal 2007, Toyota Boshoku made efforts to reduce CO₂ (carbon dioxide) emissions, substances of concern, waste material, and emissions and to conserve resources. These efforts included minimizing energy consumption through the introduction of simple and compact production lines at each site, the *yokoten** of energy-saving improvements, the elimination of *muri*, *muda*, and *mura*, the improvement of productivity, and other such initiatives. The company also worked to make community contributions through

environmental preservation activities (details on p. 41), in addition to our tree planting activities (details on p. 43). One example is the signing of an agreement with the city of Nakatsugawa in Gifu Prefecture in January 2008 "Reforestation with Corporations: the Toyota Boshoku Group 'Kankyo no Mori (Environmental Forest)' at Kashimo". Despite taking aggressive action, in fiscal 2007 the company did not achieve its voluntary targets for CO₂ emissions, packaging materials use, and volume of emissions. This was due to factors including production that exceeded the planned volume and new orders. (Goals of the 2010 Environmental Action Plan for CO₂ emissions and packaging materials use were achieved.)

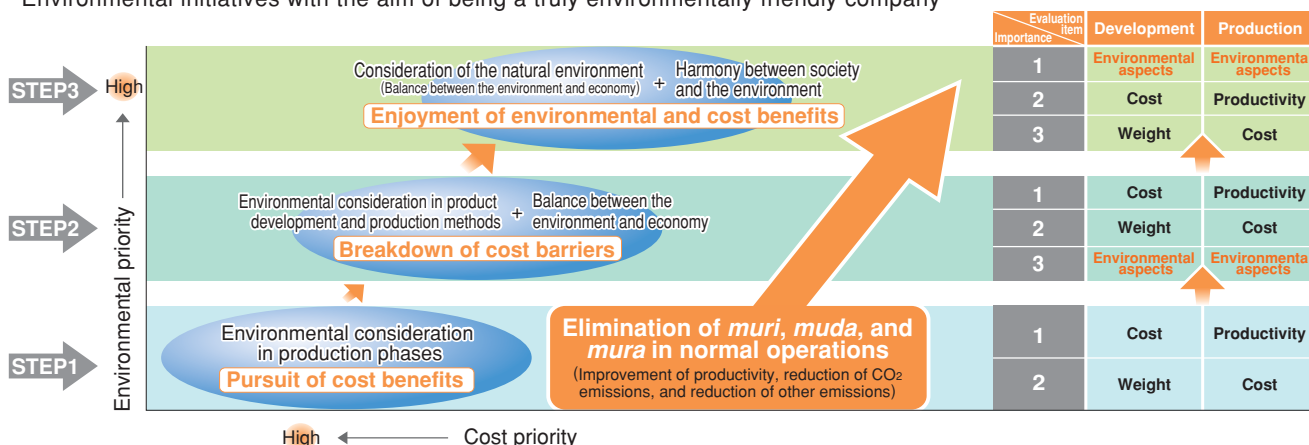
*The application of best practices at other organizations.

Strengthening and enhancing environmental preservation by promoting TB-EK activities

Toyota Boshoku believes that environmental initiatives that go beyond the traditional framework are needed to achieve a future low carbon society in 2020 and beyond. Accordingly, in fiscal 2007 the company started the Toyota Boshoku Environment *Kaizen* (TB-EK) activities in order to break down the framework of plant and department, promote initiatives that link environmental targets to overall business activities, and propel our corporate citizenship activities forward. In this way, Toyota Boshoku is aspiring to be a truly environmentally friendly company that pays due consideration to the environment throughout the entire chain of events in the production of products, from development and design through construction, production, and distribution. The company is committed to helping achieve harmony between society and nature and balance between the environment and economy.

In fiscal 2008, Toyota Boshoku aims to forge a solid footing for these TB-EK activities, advance environmental preservation activities around the axis of TB-EK, and achieve the fiscal 2008 goals set out in the Y2010 Environmental Action Plan.

Environmental initiatives with the aim of being a truly environmentally friendly company



Results of Environmental Activities in fiscal 2007

Results of Environmental Activities in fiscal 2007

In fiscal 2005, the company established its "Y2010 Environmental Action Plan," which is an action plan for environmental activities from fiscal 2006 to fiscal 2010.

In the Y2010 Environmental Action Plan, action plans and target amounts are established in the aspects of development and design, production and logistics,

management, and cooperation with society; respectively for the following: 1) prevention of global warming, 2) reduction of substances of concern, 3) recycling of resources, and 4) environmental management. In fiscal 2007, the second year of the plan, we actively promoted such activities. The result of the each item is as follows.

Status of Environmental Measures in fiscal 2007

1. Prevention of Global Warming

(Legend of self-evaluation: : achieved, : 90% to 99% or more achieved, x: achieved, but less than 90%)

2010 Action Items		2007 Initiatives Policy/Goals		Action Results		Self-evaluation	Page
Development and design	1) Extra lighter weight of automobile parts to improve fuel efficiency	1) Development of lightweight, highly rigid door trim material		1) Adoption of lightweight foam material in the door trim			
	2) Promotion of the development of new product/new technology to correspond to exhaust emissions standard, clean-energy vehicle, and diversified use of energy	1) Development of products related to fuel cells		1) Fuel Cells: Development of products related to filters			
Production and logistics	3) Global reduction of CO ₂ emissions in the production activities of each country and region (Expansion of activities to include offices and other sites which are non-production division) 4) Reduction of CO ₂ emissions in logistics						

*1 Goals of the Y2010 Environmental Action Plan were achieved. Voluntary targets were not achieved.

2. Reduction of Substances of Concern

(Legend of self-evaluation: : achieved, : 90% to 99% or more achieved, x: achieved, but less than 90%)

2010 Action Items		2007 Initiatives Policy/Goals		Action Results		Self-evaluation	Page
Development and design	5) Promotion of management and further reductions in the use of substances of concern (SOC) • Eliminated use of SOCs (lead, mercury, cadmium and hexavalent chromium, etc.) globally • Reduction of VOC*2 inside the cabin *2, VOC: Volatile Organic Compounds	1) Substitution of lead in bearings 2) Completed switchover to SOC-free parts in each country (four SOCs) 3) Development of technology to substitute substances of very high concern (SVHC) in the REACH*4 regulation 4) Achievement of target level of VOCs in parts *4, REACH: Registration, Evaluation, Authorization and Restriction of Chemicals. A regulation that establishes restrictions on the sale and use in products of approximately 30,000 chemical substances distributed in Europe in quantities of one ton or more per year that have been confirmed as hazardous in human toxicity studies.		1) Completed switchover to lead-free bearings 2) Completed switchover to SOC-free parts (four SOCs) 3) Surveyed use of SVHC candidates and studied alternative technologies 4) Implemented VOC evaluations in new vehicles subject to targets			51
Production	6) Reduction of the discharge of substances subject to the PRTR*3 law and VOC *3, PRTR: Pollutant Release and Transfer Register						

3. Recycling of Resources

(Legend of self-evaluation: : achieved. : 90% to 99% or more achieved. x: achieved, but less than 90%)

2010 Action Items			2007 Initiatives Policy/Goals			Action Results			Self-evaluation	Page
Development and design	7) Development of recycling technology that promotes smooth operation of recycling system in Japan and Europe • Steady technological development toward achieving 95% of recycling efficiency rate in Japan and Europe (in 2015). Recycling efficiency rate: Japan: Equivalent to 92% in FY2010, Europe: 85% in 2006		1) Proposal use in new vehicles 2) RSPP*5 consumption: 200 tons/month *5, RSPP: Recycled Sound-Proofing Products (a sound-proofing material for vehicles made from separated and recycled urethane and fibers from vehicle shredder dust)			1) Actual usage of RSPP (AU): 219 tons/month • Main initiative items: in-house production and new orders (three models) Effective amount: 33 tons/month				
	8) Further promotion and expansion of recycling design • Promotion and expansion of development of material and structure that can easily be dismantled or recycled • Development and utilization of renewable resources (plant raw material that is carbon-neutral, which absorbs CO ₂) and expansion of use of recycled material		1) Development of easily dismantled seat (on-going) 2) Development of easily recycled material (on-going) 3) Development of plant raw materials			1) Completed development of seat mock-up with improved dismantability 2) Expanded use of plant raw materials (27 parts in 5 models) 3) Started developing kenaf seeds				51
Production and logistics	9) Further promotion of effective utilization of resources toward upcoming recycling-oriented society									
</										

*2 Goals of the Y2010 Environmental Action Plan were achieved. Voluntary targets were not achieved

4.Environment Management

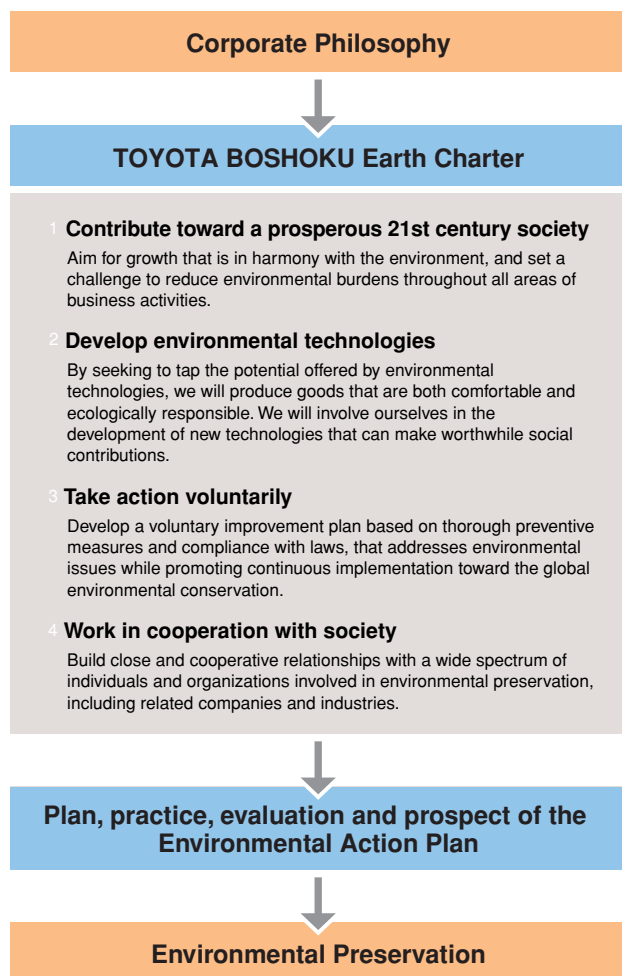
(Legend of self-evaluation: : achieved, : 90% to 99% or more achieved, x: achieved, but less than 90%)

2010 Action Items		2007 Initiatives Policy/Goals	Action Results	Self-evaluation	Page
Management	10) Promotion of consolidated environmental management (Coverage: Domestic and overseas manufacturing subsidiaries and sub-subsidiaries)	1) Establishment of Environment, Safety, and Health Committees in domestic and overseas group companies 2) Enhancement of initiatives aimed at ensuring thorough compliance and eliminating defects and complaints	1) Held meetings of Environment, Safety, and Health Committees in domestic and overseas group companies 2) Surveyed status of prevention activities at domestic group companies		36 48
	11) Strengthening of teamwork with suppliers ・ Further promotion of environmental management with business partners ・ Promotion of purchase and procurement of products that are given environmental considerations	1) Promotion of acquisition of ISO 14001 certification (on-going) [Acquisition rate 70% or higher] 2) Preparation of New Green Procurement Guidelines (proposal)	1) Two more companies acquired certification (72% overall) 2) Completed development of New Green Procurement Guidelines (proposal)		35
	12) Enhancement of environmental training	1) Enhancement of environmental education by sharing ISO manual 2) Provision of education to environmental staff members at domestic and overseas group companies	1) Clarified environmental education by sharing ISO manual 2) Implemented environmental education in Environment, Safety, and Health Committees in domestic and overseas group companies. Provided environmental training in Japan to environmental staff members from Chinese sites.		49
	13) Recommendation of eco-life to employees	1) Examination of raising the limit of monetary subsidies for park & ride, as well as the financial incentive when purchasing a hybrid vehicle.	1) Implementation of measures to promote institutional use of the Sanage Plant and revision of park & ride conditions.		
	14) Steady reduction of environmental burdens through life cycle by operating and regularly implementing Eco-VAS*7 *7, Eco-VAS: Eco-Vehicle Assessment System, a new environmental assessment system that is adopted by Toyota Motor Corporation	1) Expansion of LCA*8 to vehicle types. *8, LCA: Life Cycle Assessment; Overall assessment for total environmental burdens of products from production, use to disposal	1) Continued understanding of LCA record for mass produced vehicles.		48
Cooperation with Society	15) Promotion of global social contribution activities	1) Tree planting activities together with overseas businesses at new potential sites	1) Survey of new potential sites (India, Vietnam)		40 ~ 42
	16) Establishment of social contribution activities by domestic group companies	2) Starting on sharing information of domestic base contact points responsible for social contribution. Establishment of overseas base and subsidiary contact points responsible for social contribution	2) Establishment of responsible personnel at domestic and overseas bases. Collection and development of information through the responsible personnel.		40 ~ 42
		3) Examination and proposal of new system.	3) Examination of matching gift *9 *9, Matching Gift: A social contribution tool performed by joint work between the companies of each employee		40 ~ 42
	17) Information disclosure and enhancement of communication	1) Reorganization and issue as the Toyota Boshoku Report. 2) Advancement of prevention measures through communication with local citizens.	1) Issue of Toyota Boshoku Report 2007 2) Continued implementation of area social gatherings (Kariya)		49

Earth Charter / Promotion System / Consolidated Environmental Management

Earth Charter

The "TOYOTA BOSHOKU Earth Charter" was established in 2004 for Toyota Boshoku Group to promote environmental preservation on the earth. We surely practice the reduction of environmental burdens in the spirit of the charter.

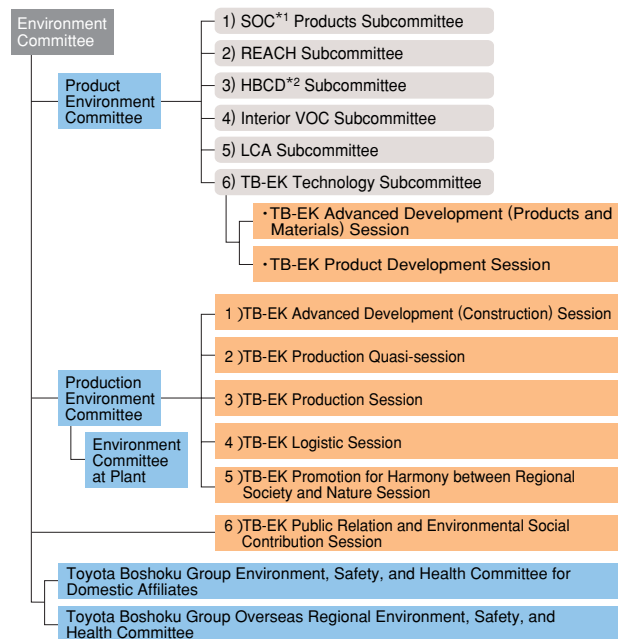


Toyota Boshoku and all consolidated subsidiaries shall share the above charter as the charter of the Toyota Boshoku Group.

Promotion system

We have an environment committee with the company president as chairman together with installation of four substructures for products, production, and so on to systematically promote environmental activities. Unit sessions and project working groups were newly created in order to promote more functional environmental action. From fiscal 2007, we began a revision of the system to coincide with the start of TB-EK Activities (details on p45). In order to carry out more complete activities, various TB-EK subcommittees will be established beneath the Product Environment Committee and the Production Environment Committee, which are subordinate organizations of the Environment Committee.

Internal environment system starting in fiscal 2008

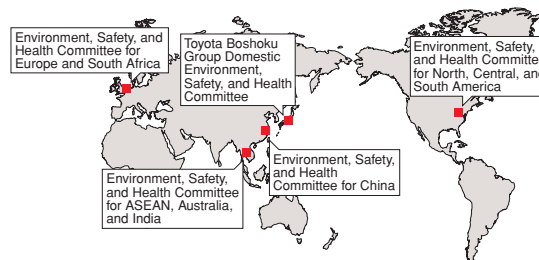


*1 SOC: Substances of Concern *2 HBCD: Hexa Bromo Cyclo Dodecane

Consolidated Environmental Management

With the ongoing advance of globalization, measures to protect the global environment, including efforts by our domestic and overseas Group companies, have become indispensable. In fiscal 2006, the Toyota Boshoku Group Domestic Environment, Safety, and Health Committee and Toyota Boshoku Group Overseas Regional Environment, Safety, and Health Committee in four bases abroad were established. The committee activities were advanced in fiscal 2007.

Consolidated environmental management will be developed and the system will be strengthened through initiatives such as a survey of activity conditions, definitions of issues, sharing of environmental policies through committee activities, environmental education, and maintenance of the condition of management and initiatives through patrolling of plants.



Patrolling plants by Environment, Safety, and Health Committee for China



Patrolling plants by Environment, Safety, and Health Committee for Europe

Environmental Education / Environmental Communications / Status of Acquiring ISO 14001 Certification

Environmental Education

Toyota Boshoku systematically conducts environmental education programs categorized into education for new employees, general education, education targeting separate grades of employees, and specialized education corresponding to the type of work performed. The company focused on training internal auditors with the aim of upgrading the operation of the ISO 14001 system. Five senior auditor candidates and 67 auditor candidates took part in education and training programs held in and outside the company. In the future, Toyota Boshoku will continue to train internal auditors and advance their use operation.

On August 6, 2007, the company held an environmental lecture on the topic of "The Effects of Global Warming and Corporate Responses" at the Sanage Main Building as a part of its efforts to improve employees' environmental awareness. In addition, it invited personnel in charge of safety and the environment in China and Taiwan to Japan for a four-day training session from March 11, 2008 on safety



Environment, Safety and Health training for personnel from China and Taiwan

and environmental activities. In fiscal 2008, it will sequentially provide training to environmental and safety personnel in other regions and enhance our environmental education.

Environmental Communications

Holding of Area Social Gatherings

In December of 2007, we invited representatives of the region and held the Toyota Group Kariya Area Social Gathering (held at Denso Head Office). We continue to work to give the local community a better understanding of our environmental efforts.

Environment Information in Public

While the company has been releasing environmental information in our "Environmental and Social Report," those activities from fiscal 2006 are being published in the "Toyota Boshoku Report"

Status of Acquiring ISO 14001 Certification

Toyota Boshoku is aggressively pushing group companies to introduce and establish the ISO 14001 environmental management system.

The company worked to streamline the operation of the system by reorganizing the ISO 14001 structure by area and officers in charge and by sharing an environmental manual among all plants.

Status of Acquiring ISO 14001 Certification (as of March 2008)

Domestic: All 11 companies and 27 plants (including in Toyota Boshoku)

KYOEI ARACO CO., LTD./TAKATEC Corporation/
TB CREATE STAFF CORPORATION /
TB CORPORATE SERVICE CORPORATION / TB High-Tech Corporation /
TB LOGISTICS SERVICE CORPORATION /
TOYOTA BOSHOKU KYUSHU CORPORATION / FAMIC Corporation /
KANTO SEAT WORKS. LTD / TOYOTA Body Seiko Co.,Ltd. /
NALCO Co.,Ltd

Overseas: All 25 companies and 37 plants

【United States of America】
TRIM MASTERS INC / Total Interior Systems-America, LLC /
TBDN TENNESSEE COMPANY / ARJ MANUFACTURING, L.L.C.
【Argentina】Master Trim de Argentina S.R.L.
【China】
KUNSHAN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD. /
SHANGHAI TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD. /
Ningbo ARACO Co.,Ltd./
CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS Co.,Ltd.
【Taiwan】SHIN SAN SHING CO.,LTD.
【Thailand】
TOYOTA BOSHOKU GATEWAY(THAILAND)CO.,LTD./ ARST(Thailand)Co.,Ltd.
STB TEXTILES INDUSTRY CO.,LTD. / TOYOTA BOSHOKU FILTRATION
SYSTEM(THAILAND)CO.,LTD./ S.K. AUTO INTERIOR CO.,LTD./ THAI SEAT
BELT CO.,LTD.
【Indonesia】PT. ABADI BARINDO AUTOTECH
【Malaysia】TOYOTA BOSHOKU UMW SDN.BHD.
【Philippines】TOYOTA BOSHOKU PHILIPPINES CORPORATION
【Vietnam】TOYOTA BOSHOKU HANOI CO.,LTD.
【India】TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED
【Australia】TOYOTA BOSHOKU AUSTRALIA PTY LTD
【Turkey】TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S.
【Slovakia】TRIM LEADER, a.s.
【South Africa】TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD

Environmental Auditing

Internal Auditing

In fiscal 2007, internal audits were conducted at 18 plants (Inabe, Bisai, Sanage, Takaoka, Fujioka, Tsuchihashi, Shimoyama, Toyohashi-Kita, Toyohashi-Minami, Toyohashi-Higashi, Tahara, Gotemba, Tokyo, Kariya, Gifu, Oguchi, Kisogawa, and Tsutsumi) with each plant implementing corrective actions immediately. Furthermore, internal auditors who were trained in fiscal 2007 began participating from the internal audits of the Toyohashi region in February of 2008.

External Audits

In fiscal 2007, inspections for renewal were conducted at four plants (Kariya, Kisogawa, Bisai, and Tsutsumi), while surveillance was implemented at fourteen plants. Each plant was evaluated as "meeting with the requirements of ISO 14001 and being managed appropriately" without major nonconformance.

Currently, the Bisai Plant and Tsuchihashi Plant are not operating

Environmental Risk Management / Environmental Accounting

Environmental Risk Management

Toyota Boshoku is working to reduce environmental risks such as environmental incidents, pollution, and legal violations. The company is preventing and reducing risks through management based on stricter standards than legal and regulatory levels and the identification of and measures to counter latent risks. In fiscal 2007, it implemented prevention measures focusing on measures against noise, including soundproofing compressor rooms and installing sound barriers. Regarding the status of legal and regulatory compliance, environmental incidents, and complaints, the company completed the corrective measures indicated in the table below and is working to prevent a recurrence of problems.

Heading	Number of occurrences	Measure taken
Exceed legal / regulatory basic value	Noise 1*	The source of noise was specified through a detailed noise analysis, and corrective action was taken.
Environmental incidents	0	-
Complaints	0	-

* Due to the rattle of running forklifts, conveyance of loads, and stacking.

Basic Approach to Environmental Accounting

Our efforts have been concentrated on grasping the effects of environmental preservation activities relative to the investment and expenses involved. We believe this is indispensable in more efficient administration and rational decision-making while providing one mean of making overall environmental information more understandable to all stakeholders. Toyota Boshoku calculates the costs, economic effects, and material effects of environmental preservation in reference to "Environmental Accounting Guidelines" (2005 Edition) published by the Ministry of Environment. Starting from fiscal 2006, we have additionally targeted thirteen domestic subsidiaries*¹ and are making full efforts in environmental accounting with the aim of realizing efficient environmental preservation activities.

Environmental Preservation Costs

Main investments included such facilities as sound-insulating walls at the Kariya and Fujioka Plants and facilities for use of solid fuels at the Toyohashi-Higashi Plant. Main expenses included costs for waste material recycling (resource circulation), various environmental management system-related expenses (administration cost), and labor costs and expenses for testing and research involved in research and development (R&D cost). Note that overseas businesses are not included in the numbers shown.

(Unit: Million Yen)

Environmental Accounting	Classification		Independent	
			Investment Amount	Cost Amount* ²
	Business Area Cost	Pollution Prevention	238	63
		Global Environmental Conservation	270	108
		Resource Circulation	52	491
		Upstream/Downstream Cost	0	0
		Administration Cost	30	174
		R&D Cost	0	300
		Social Activity Cost	0	43
		Environmental Remediation Cost	0	3
	Total		590	1,182
			1,772	

(Unit: Million Yen)

Environmental Accounting	Classification		13 Domestic Subsidiaries	
			Investment Amount	Cost Amount* ²
	Business Area Cost	Pollution Prevention	4	2
		Global Environmental Conservation	34	21
		Resource Circulation	0	93
		Upstream/Downstream Cost	0	0
		Administration Cost	4	23
		R&D Cost	0	0
		Social Activity Cost	0	1
		Environmental Remediation Cost	0	0
	Total		42	140
			182	

Economic Effects of Environmental Preservation Measures

The economic effects of our environmental preservation measures were calculated from three ascertained items which were based on sure grounds (Deemed effects such as risk avoidance effects are not taken into account.).

(Unit: Million Yen)

Economic Effects	Economic Effect Details		Independent	13 Domestic Subsidiaries
	Cost Reduction through Energy Saving		138	11
	Reduction of Waste Disposal Cost		58	16
	Total		196	27

Material Effects of Environmental Preservation Measures

Examples of improvements in waste reductions and reductions in CO₂ emissions are provided in this report (p. 55, 56).

(Unit: Million Yen)

Material Effects	Material Effect Details		Independent	13 Domestic Subsidiaries
	Prevention of Global Warming t - CO ₂		10,062	264
	Reduction of Waste t		234	0

*1 [Domestic Subsidiaries] KYOEI ARACO CO., LTD. / TB Iwate Corporation / TOYOTA BOSHOKU KYUSHU CORPORATION / Toyota Boshoku Shiga Corporation / FAMIC Corporation / TB Engineering Corporation / TB High-Tech Corporation / TECHNICAL LINKS DESIGN CO., LTD. / TB TECHNOGREEN CORPORATION / Takatech Co., Ltd. / TB CREATE STAFF CORPORATION / TB CORPORATE SERVICE CORPORATION / TB LOGISTICS SERVICE CORPORATION

*2 Depreciation is not included in the expenses.

Eco-friendly Development and Design

Substances-of-concern-free Development (4 Substances)

The company is actively taking measures to reduce the environmental impacts of substances of environmental burdens when produced, used and disposed in the process of product development. Each of the sectional meetings made aggressive efforts to achieve their objectives in fiscal 2007 as well.

Based on European end-of-life vehicle ordinances, global developments in regulating four SOC (hexavalent chromium, cadmium, lead, and mercury) have led greater use of products free of each of these substances. As a result, we were able to achieve complete elimination of 4 substances in December 2007.

In the future, we shall strengthen the environmental impact assurance system of our overseas businesses.

Compliance with Europe's REACH*¹ Regulation

In June 2007, the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation came into force in Europe. In December 2007, Toyota Boshoku launched a REACH Compliance Subcommittee under the Product Environment Committee to move the company toward compliance with this regulation. The subcommittee took the lead in obtaining information on chemical substances whose use in products could be restricted and in working on developing alternative technologies.

*¹ REACH: Registration, Evaluation, Authorization and Restriction of Chemicals.
A regulation that establishes restrictions on the sale and use in products of chemical substances that have been confirmed as hazardous in human toxicity studies by testing 30,000 chemical substances distributed in Europe in quantities of one ton or more per year.

Reduction of VOC*² in Vehicle Interiors

In response to Voluntary Approach to Vehicle Cabin VOC Reduction*³ released by the Japan Automobile Manufacturers Association in February 2005, we reviewed our selection of raw materials and parts manufacturing processes to adopt the usage of adhesives and coatings which do not include toluene in interior parts.

In fiscal 2008, overseas businesses are also instituting activities for the reduction of VOC.

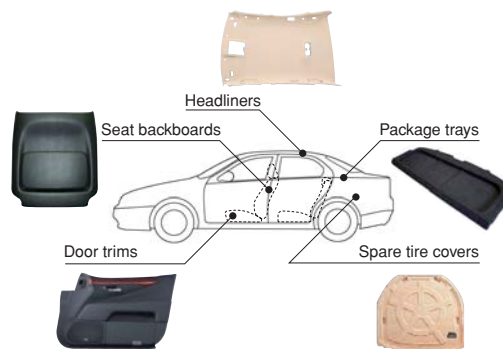
*² VOC: Volatile Organic Compounds

*³ Methods designed to satisfy the interior concentration level guideline figures set by the Japanese Ministry of Health, Labor and Welfare for 13 different substances.
The approach is slated to be applied to new model passenger cars marketed from FY2007. (JAMA Report No. 98)

Use of Plant-based Resource-saving Materials

Beginning from the end of the 1990s, our company has conducted research regarding the use of the environmentally-friendly plant kenaf in our interior parts. Beginning with the establishment of an experimental farm at our Indonesian subsidiary PT. ABADI BARINDO AUTOTECH,

all stages from cultivation to creation of products have been performed. Door trims material made from kenaf was first used in the CELSIOR released in 2000 in Japan. As of May of 2008, products which use kenaf are installed in a total of 27 models of luxury cars, with a focus of 5 parts.



Kenaf flower



Kenaf Field

Kenaf: An annual herbaceous plant, of Hibiscus genus, Malvaceae family

The use of kenaf achieves carbon neutral products in which CO₂ absorption and emissions are balanced. The kenaf products are eco-friendly, causing no effect on atmospheric CO₂ concentrations. Aiming to achieve all plant-based interiors, Toyota Boshoku needs to improve the stability of quality, quantity, and costs of using kenaf, an agricultural product. Accordingly, in March 2008 the company signed a kenaf seed developing contract with the Indonesian Tobacco and Fiber Crops Research Institute (IToFCRI)*⁴ and started earnest seed development. Going forward, together with IToFCRI the company will jointly develop new varieties to ensure stable yields. This will include developing seeds that can be grown in dry regions and fast growing seeds as well as research on new plants that can be applied to automotive parts.

*⁴ IToFCRI is a world-class research institute with 50 years of experience in the field of kenaf seed improvement as well as the storage of its data and improved varieties.



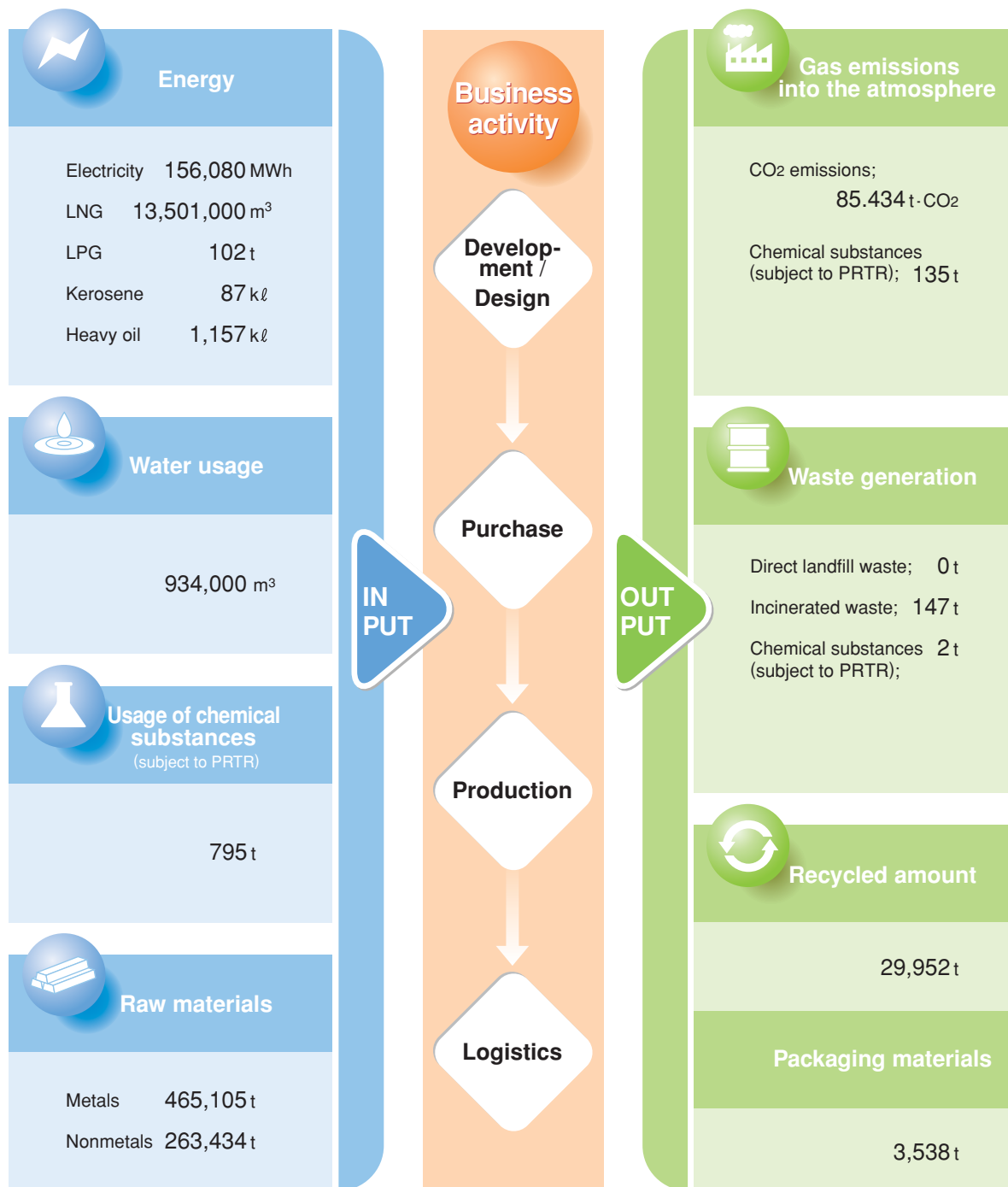
Signing ceremony for kenaf seed development contract on March 27, 2008.

Linking Business with the Environment

Linking Business with the Environment

The company has pushed for reductions in environmental load in every facet of our business activities. Based on the Environmental Action Plan, we are endeavoring to gain an accurate grasp of the environmental impact of our entire business activity, from the procurement of materials up to the

recycling stage, and working to reduce environmental burdens at each stage. In fiscal 2007 as well, mainly through the different committees, we actively conducted activities to achieve these goals. Below are the targeted business activities and overall environmental impacts.



Prevention of Global Warming

Prevention of Global Warming

To help prevent global warming, Toyota Boshoku is aggressively developing energy-saving activities and promoting operations to reduce carbon dioxide (CO₂) emissions, which are regarded as main source of global warming.

Reducing CO₂ Emissions in Production Activities

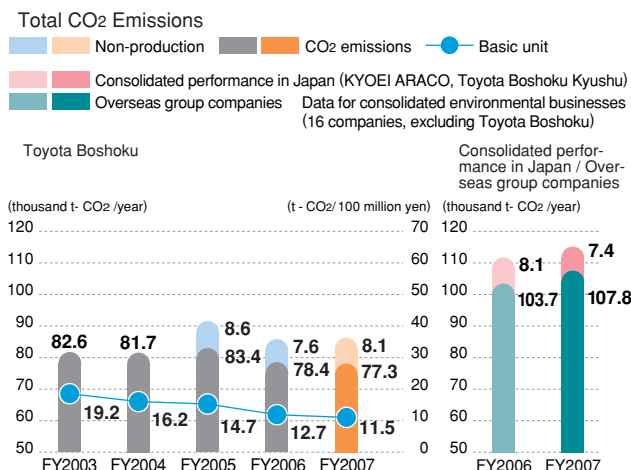
In accordance with the company's Y2010 Environmental Action Plan, Toyota Boshoku has been making efforts to reduce CO₂ emissions not only from production divisions but from offices and other non-production sources*1 as well. Specifically, it has mandated the use of an improvement item matrix and energy conservation measures when requesting decisions on equipment plans. In fiscal 2007, the company made a range of efforts at each site, including improving the blow of oil filter cleaning equipment and changing over to a highly efficient air conditioning / heat source heat pump chiller. These efforts resulted in actual emissions of 85.4 thousand t-CO₂. The company met the target of 87.8 thousand t-CO₂ set out in the Y2010 Environmental Action Plan. But, it did not achieve its higher voluntary target of 84.5 thousand t-CO₂, albeit by only slightly (actual emissions were 101% of this target). It also achieved its target for basic unit emissions*2 with 11.5 thousand t-CO₂ per 100 million yen against a target of 12.7 thousand t-CO₂ per 100 million yen.

The non-fulfillment of the company's voluntary target is primarily attributable to additional production in excess of the planned amount.

In fiscal 2008, Toyota Boshoku aims to achieve a voluntary target of 83.6 thousand t-CO₂ (compared to the target of 86.7 thousand t-CO₂ in the Y2010 Environmental Action Plan). Toward that end, the company will take initiatives such as conducting energy conservation inspections and accelerating the implementation of improvement items.

*1 Figures are for fiscal 2005 or later, after the lay down of a new definition of non-production sources.

*2 Basic unit: CO₂ emissions per sales of 100 million yen.



*TRIM MASTERS INC., Total Interior Systems-America, LLC, TBDN TENNESSEE COMPANY, TOYOTA BOSHOKU TÜRKİYE OTOMOTİV SANAYİ VE TİCARET A.Ş., CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS Co., Ltd., Ningbo ARACO Co., Ltd., Tianjin Intex Auto Parts Co., Ltd., SHIN SAN SHING CO., LTD., ARST(Thailand)Co., Ltd., STB TEXTILES INDUSTRY CO., LTD., TOYOTA BOSHOKU FILTRATION SYSTEM(THAILAND)CO., LTD., PT.ABADI BARINDO AUTOTECH, TOYOTA BOSHOKU AUSTRALIA PTY LTD., TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED

Installation of Wind Power Generators (with attached solar panels)

In fiscal 2007, we continued our activities from the previous year and installed small-size wind power generators with attached solar panels at 9 plants (Gifu, Oguchi, Takaoka, Tsutsumi, Fujioka, Toyohashi-Kita, Toyohashi-Minami, Toyohashi-Higashi, and Gotemba). 13 wind power generators have been installed as of March 31, 2008. Field tests of the wind power generators are used to assess the results of reductions in CO₂ emissions and to plan effective activities in natural energy such as wind power and solar power.

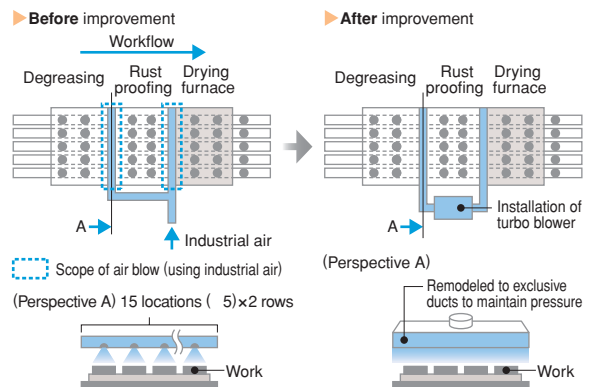
Cases of Major Improvement

Improvement of the blow of oil filter cleaning equipment

Toshio Yamada

Kariya Plant Facilities Maintenance Dept., Kariya Production Management Div.

We changed the cleaning equipment in the oil filter production process at the Kariya Plant from industrial air to an electric turbo blower. This move reduced electricity consumption by the compressor, enabling us to reduce CO₂ emissions by 116 t-CO₂ per year.

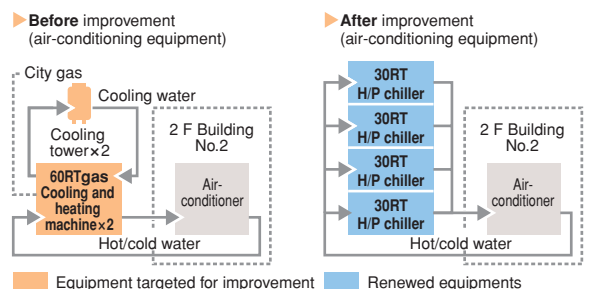


Change over to highly efficient air conditioning/heat source heat pump chiller

Yasuaki Kamoshita

Takaoka Engineering Staff Dept., Takaoka Production Div.

We switched the air conditioning/heat source system in Building No.2 at the Takaoka Plant from a gas powered cooling and heating machine to an electric high efficiency heat pump chiller. This cut our annual CO₂ emissions by 140 t-CO₂.



Management of Chemical Substances / Reducing Emissions of Substances Regulated Under PRTR / Management of Chemical Substances in Production Processes

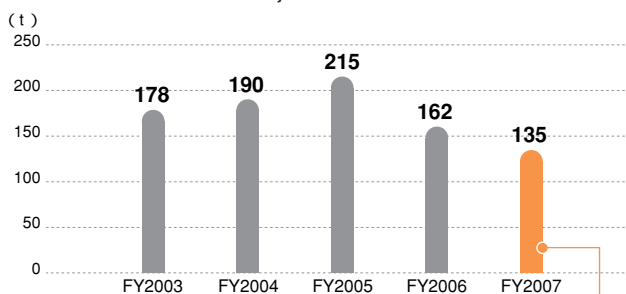
Management of Chemical Substances

We take measures to reduce substances regulated under PRTR and various other chemical substances. Furthermore, based on MSDS (Material Safety Data Sheet) and other component data, we determine whether or not to use new materials.

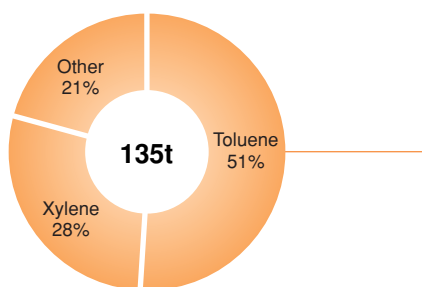
Reducing Emissions of Substances Regulated under PRTR

In fiscal 2007, we worked to reduce PRTR substances by changing the nozzle diameter of paint guns in order to reduce the amount of release agent used. We also began using optimal amounts of release agents for urethane foam molds. These measures enabled us to meet our target for reduced emissions here with actual use of 135 tons (91% of the target), opposed to the target amount of 149 tons. In fiscal 2008, we plan to reduce emissions to within 132 tons by advancing other improvement activities, such as changing the nozzle diameter of paint guns and using an optimal amount of paint.

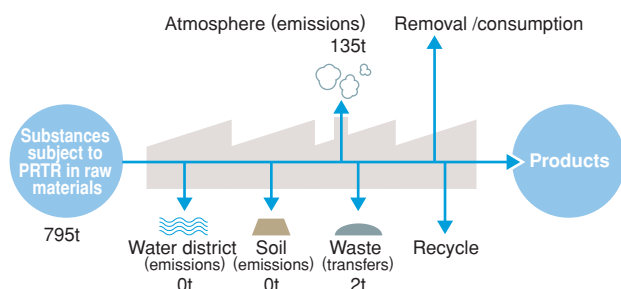
Emission of Substances Subject to PRTR



Chemical substance emission breakdown



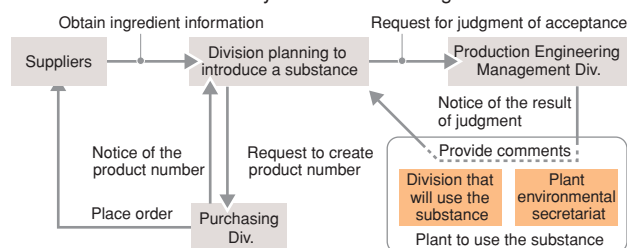
Emission and transfer of substances subject to PRTR (fiscal 2007)



Management of Chemical Substances in Production Processes

Before making judgments in selecting a new material in the planning phase, along the flow of chemical safety and hazard investigations, we study information such as the MSDS (Material Safety Data Sheet) composition of various alternatives to determine whether we use them or not. We prevent using banned substances by identifying information about the composition of materials while still in the planning phase.

Flowchart of chemical safety and hazard investigations



Cases of Major Improvement

Changed robotic coating gun and caliber

Minoru Ito Sanage Production Div. 2

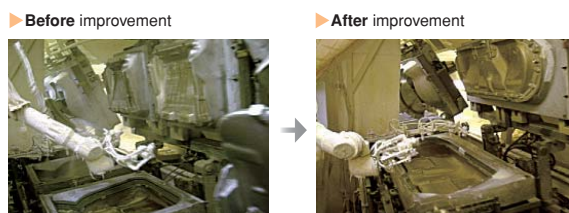
Before, we used an automatic gun with a high air volume and discharge volume, which produced a low coating efficiency of release agents and wasteful spraying. So, we switched to an automatic gun with low air volume and a low discharge volume and also changed the caliber. This improved the coating efficiency of release agents and eliminated wasteful spraying. Focusing on the efficiency of coating metal molds and making use of the characteristics of the release agents enabled us to reduce the per-second discharge volume from about 4.0 grams to 2.0 grams and so increase the coating efficiency.



Optimized spread of release agents on urethane foam molds

Junji Ishikawa Sanage Production Div. 2

We apply release agents with an automatic coating applicator. Working to optimize the spread of release agents, we made the release agent automatic coating applicator run intermittently (half the conventional ratio). In this way, we succeeded in reducing our usage of release agents by 7.2 tons per year.



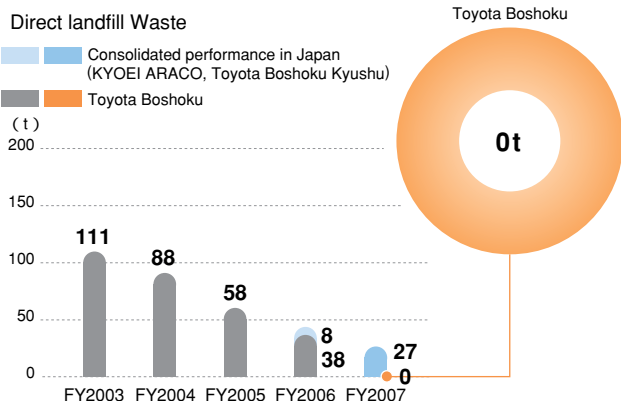
Reductions in Emissions

Reductions in Emissions

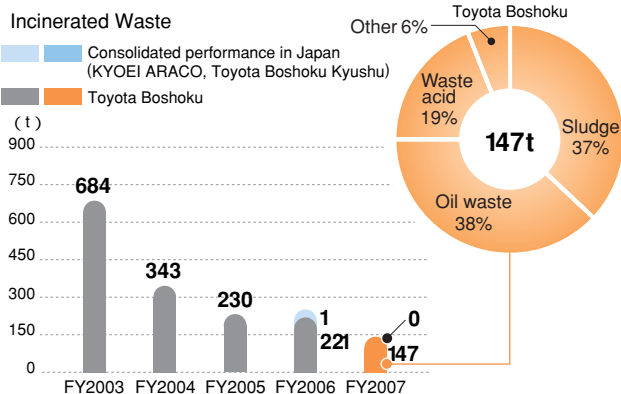
Toyota Boshoku not only strives continuously to attain zero direct landfill waste*1, we are also making great efforts to reduce the sources of waste generation. In fiscal 2007, we completed our target zero direct landfill waste. In contrast to our targeted amount for incinerated waste of 206 tons, the actual figure of 147 tons (71% of the target) shows we also reached our objective in this regard. Furthermore, we have been newly pursuing actions to reduce emissions*2, such as recycling of waste plastics from injection molding and review of insertion of tubing into molds. Our target in this area was 29,157 tons of emissions generated, but the actual emissions of 30,098 tons (107% of the target) failed to achieve the target. The main reason for this failure was an increase in metal scraps due to an increase in the amount of press production. In fiscal 2008, we will continue our policy of zero direct landfill waste and will improve our recycling rate through the implementation of a bumper grinding machine. Our targets are 126 tons of incinerated waste materials and 26,350 tons of emissions.

*1 Toyota Boshoku definition of zero direct landfill waste: reductions to no more than 5% of direct landfill waste in basis year.

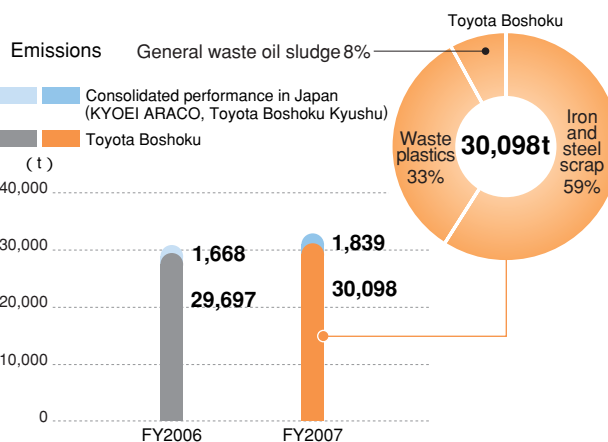
*2 Emissions defined as the total amount of direct landfill waste, incinerated waste, and materials recycled by outside parties.



* In fiscal 2007, direct landfill waste (Toyota Boshoku) was zero.



* In fiscal 2007, incinerated waste (domestic consolidated) was zero.



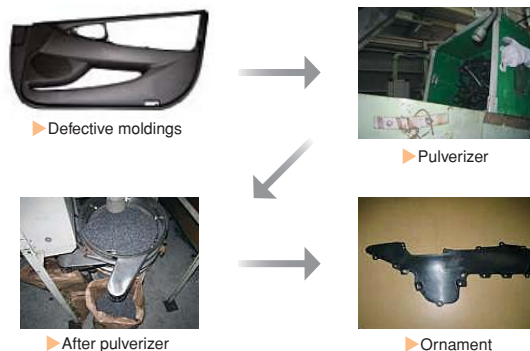
Cases of Major Improvement

In-house recycling of waste plastic from resin moldings

Akinori Honme

Sanage Door Trim Manufacturing Dept., Sanage Production Div. 1

Before, we used to recycle waste plastic outside the company. Now, we use an in-house process to pulverize waste plastic and recycle it into a material for ornaments in which the quality of the material is the same but the color is not a question. As a result, we have achieved 100% recycling of waste plastic.



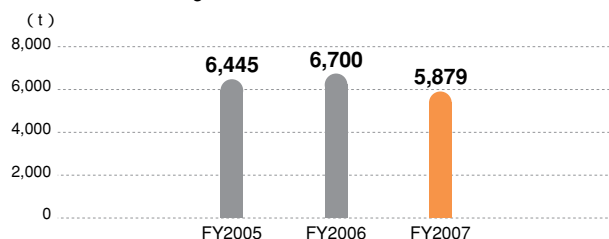
Streamlining of Logistics / Reduction of CO₂ Emissions in Logistics / Reductions in Packing and Packaging Material Use

Streamlining of Logistics

In our aim to be a company that is good to the Earth's environment, we are also working to streamline logistics. Such efforts include reducing CO₂ emissions in the transport of product by reducing the number of packages shipped, using more efficient loading methods, shortening routes, and with other such measures. We are also striving to make more efficient use of resources by reducing the amount of packing and packaging materials used in product distribution.

Reduction of CO₂ Emissions in Logistics

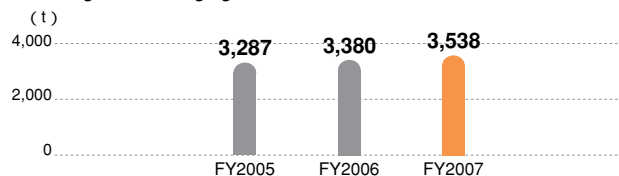
Each month, the company draws up transport plans so as to achieve greater efficiency in logistics. This helped us to meet our target in reducing CO₂ emissions, with an actual figure of 5,879t-CO₂ (88% of the target) versus the target figure of 6,691t-CO₂. A major factor in the achievement of this target was the improvement of the loading rate for distribution between factories, which made it possible to reduce the number of trips. In fiscal 2008, we will work to reduce the total distance traveled and make further improvements in the loading rate. Our target is CO₂ emissions within 5,936t-CO₂.

CO₂ Emissions in Logistics

Reductions in Packing and Packaging Material Use

Toyota Boshoku is working to reduce loss of resources by using simplified packaging and improving packaging specifications. In fiscal 2007, the company pushed forward with the change over to bubble wrap as the packing material for bumpers and also improved cardboard materials. As a result, it met the target of 3,721 tons set out in the Y2010 Environmental Action Plan with an actual usage of 3,538 tons. However, it did not achieve the higher voluntary target of 3,529 tons, albeit by only slightly. In fiscal 2008, the company will continue making efforts to reduce the use of packaging material. It will reduce the size of packaging for frames and continue pushing the change over to bubble wrap. In addition, it will accelerate improvement activities through Packaging Improvement Independent Study Groups, identify and implement new improvements, and speedup the *yokoten* of these improvements. Further, the company set a new voluntary target of 3,456 tons for the use of packing and packaging material (compared to the 3,706 tons in the Y2010 Environmental Action Plan).

Packing and Packaging Material Use



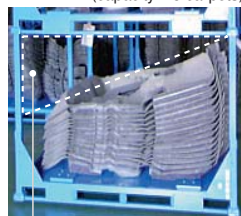
Cases of Major Improvement

Reduction in CO₂ emissions from distribution by increasing carpet capacity

Tsutomu Yoshikawa
Tsutsumi Control G, Takaoka Administration Dept.,
Takaoka Production Management Div.

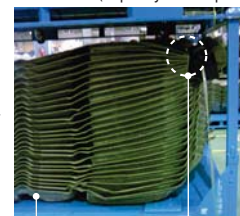
Everyday the Tsutsumi Plant sends out three 4-ton trucks to deliver carpets. The travel distance is 250 km one-way. These deliveries used to emit 0.4 tons of CO₂ per day. So, we worked on improving the packing style for the loads of carpet in order to increase distribution efficiency. We eliminated wasted space by bundling, making it possible to increase the stacking capacity from 15 carpets to 25 carpets. As a result, we were able to reduce the number of trucks to two, which cut the daily CO₂ emissions down to 0.32 t-CO₂. Thus, the daily reduction is 0.08 t-CO₂, and the annual reduction is 19 t-CO₂.

► Before improvement
(capacity: 15 carpets)



Wasted space resulted from the products not lying flat.

► After improvement
(capacity: 25 carpets)



Using a distortion preventing protector ensures quality.
Using a distortion prevention dummy ensures quality.

Improved packaging specifications for frame assemblies

Tatsuya Katamoto
Aftermarket Parts Supply Control Dept.,
Production Control Div.

We changed the shape of packaging material that we used to use for a number of parts, making the packaging fit each part specifically. By changing to partial packaging specifications, we reduced our usage of packaging material by 1,175 kg per month and 4.33 tons per year.

► Before improvement



Full packaging

► After improvement



Partial packaging

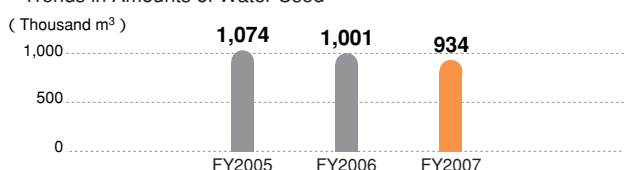
Water Resource Conservation / Soil and Groundwater Purification / PCB Storage Conditions

Water Resource Conservation

The company achieved its target for water conservation, using 934 thousand m³ per year (95% of the target), whereas the target figure was 987 thousand m³ per year.

We are taking further action in fiscal 2008 to reduce our use of water resources in order to achieve the target amount of 877 thousand m³ per year. For example, we shall make efficient use of rainwater and utilize other water-saving methods.

Trends in Amounts of Water Used



Soil and Groundwater Purification

Formerly used extensively as a cleaning agent, trichloroethylene was designated a hazardous substance in 1989. Kariya Plant, however, had already preceded this development in 1988, when the use of trichloroethylene was abolished at that factory. Afterwards, based on the "Provisional Guidelines for Soil and Groundwater" issued in 1994 by the Ministry of the Environment, we have been conducting annual inspections for soil and groundwater contamination and working to purify these resources.

In 1996, the company began using the gas absorption-purification method in treating contaminated soils, completing the purification process in 1998. Following the installation of barrier well systems to prevent outflows in lower groundwater flows and pumping-aerating equipment, the company commenced with pumping treatment in 1998.

As regards the status of purification, we conduct regular monitoring and report the results of these measurements to the administration, and starting in 2001, we have been continuing to report to local communities at our "area social gatherings." We shall continue with our purification efforts, aiming to keep contamination at or under levels specified in environmental standards.

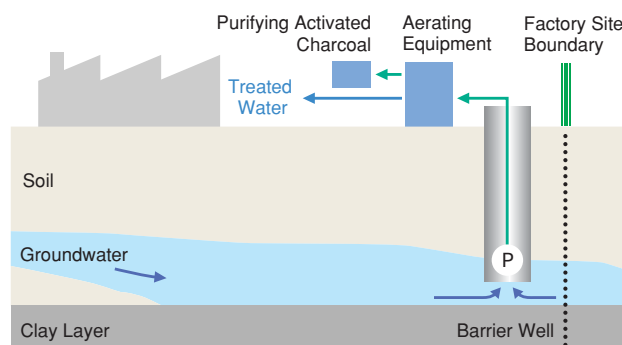
Results of Trichloroethylene Measurements in fiscal 2007
(Environmental Standard: 0.03mg/ℓ)

(Unit: mg/ℓ)

Name of Plant	Concentration in Groundwater within Grounds	Current Conditions
Kariya Plant	ND ~ 0.103	Purification in Progress

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

Overview of Pumping-Aerating Purification Facilities



PCB Storage Conditions

Formerly used as insulation in capacitors and ballasts, PCBs (polychlorinated biphenyls) are now designated prohibited substances. Waste PCB now being stored must be treated at designated treatment facilities no later than July 2016. We not only strictly manages stored PCBs in storage sheds designed to prevent worries of PCBs leaking and permeating the soils, we also are progressing with safe, appropriate treatment of the PCBs.

In fiscal 2007, 25 capacitors at Oguchi Plant were properly processed at the Japan Environmental Safety Corporation's Toyota Facility. Counts for equipment still being stored as of March 2007 are shown below. In fiscal 2008, 10 capacitors at Oguchi Plant will be processed.

Plant Where Stored	Capacitors	Ballasts	Other
Gifu Plant	18	0	0
Oguchi Plant	51	21	Carbonless Paper (80kg)
Gotemba Plant	4	314	0
Tokyo Plant	1	0	0

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

Environmental Information by Site

	Kariya Plant	Oguchi Plant	Inabe Plant	Kisogawa Plant	Bisai Plant *	Tsutsumi Plant
	Products Air filters, oil filters, cabin air filters, ABS coils, etc.	Products Molded headliners, seat fabrics, silencers, blended yarns, etc.	Products Interior components	Products Floor carpets and pillar garnish	Products Floor mats and strap belts	Products Floor carpets and other interior components
						
CO ₂ emission (Production+Non- production) (t-CO ₂)	19,823	14,433	373	1,639	181	2,256
Emissions(t) (Including direct landfill waste and incinerated waste)	4,271	2,792	3	606	47	1,301
Direct landfill waste amount(t)	0.0	0.0	0.0	0.0	0.0	0.0
Incinerated waste amount(t)	138.3	0.0	0.0	3.0	1.2	0.0
Water resource usage(thousand m³)	179.0	270.8	1.7	7.8	0.7	1.9

	Gifu Plant	Sanage Plant	Takaoka Plant	Tsuchihashi Plant *	Shimoyama Plant	Fujioka Plant
	Products Bumpers	Products Seats, door trims and other interior components	Products Seats and door trims	Products Seats and seat covers	Products Seat covers	Products Door trims
						
CO ₂ emission (Production+Non- production) (t-CO ₂)	6,847	15,241	5,341	360	271	4,775
Emissions(t) (Including direct landfill waste and incinerated waste)	449	16,916	363	65	134	494
Direct landfill waste amount(t)	0.0	0.0	0.0	0.0	0.0	0.0
Incinerated waste amount(t)	0.0	0.0	3.3	0.7	0.0	0.0
Water resource usage(thousand m³)	23.3	245.5	82.9	4.7	2.9	28.7

	Tohoyashi-Kita Plant	Toyohashi-Minami Plant	Toyohashi-Higashi Plant	Tahara Plant	Gotemba Plant	Tokyo Plant
	Products Seats	Products Door trims, seat covers	Products Floor Carpets	Products Interior components	Products Seats and door trims	Products Door trims
						
CO ₂ emission (Production+Non- production) (t-CO ₂)	5,045	3,078	1,872	181	2,366	793
Emissions(t) (Including direct landfill waste and incinerated waste)	461	614	1,085	11	354	41
Direct landfill waste amount(t)	0.0	0.0	0.0	0.0	0.0	0.0
Incinerated waste amount(t)	0.0	0.0	0.0	0.0	0.0	0.0
Water resource usage(thousand m³)	36.7	15.8	9.3	0.8	15.8	5.4

* Currently not operating

Third-Person View

Below, I give my impression as an independent third-party regarding Toyota Boshoku's environmental initiatives based on a tour of the company's plants, questioning of the persons in charge of its environmental management offices, and perusal of relevant documents.



Mr. Satoru Akada

Environmental Counselor
(Industrial Department/Civil Department)
Managing Officer, Steel Structure Division
Hokoku Kogyo Co., Ltd.

Highly commendable efforts

In last year's third party opinion, I expressed my expectation for Toyota Boshoku to "energetically pursue sensitive environmental conservation initiatives worthy of a global corporation." The company immediately developed TB-EK activities. These activities aim at greater harmony between society and nature. They include environmental contributions as a member of society made through the linking of environmental targets to overall business activities, from development and design through production preparation, production, and distribution. The company's worldwide initiatives worthy of a global corporation are highly commendable. These initiatives include the opening of Environment, Safety, and Health Committees in the ASEAN, Australian, and Indian regions and the inviting of environmental personnel from China and Taiwan to Japan for environmental training sessions.

The company has made great success with initiatives to help prevent global warming, especially in the distribution sector, where regulations have been strengthened. Specifically, it achieved actual CO₂ emissions of 5,879 t-CO₂ compared to a target of 6,691 t-CO₂ (88% compared to target). The company's recurring efforts to make detailed improvements in distribution, including improving the packing style of carpets and improving the packaging specifications for frames, are highly commendable.

Moreover, the fact that the company met the annual target in the Y2010 Environmental Action Plan for overall production activities despite an increase in production beyond the imagined level is also commendable. It did this by greatly increasing production efficiency such that CO₂ emissions per basic unit were 11.5 t-CO₂ per 100 million

yen of sales, compared to a target of 12.7 t-CO₂ per 100 million yen.

Efforts that need to be taken a step further

So far, 13 wind power generators with attached solar panels have been installed at different plants. Also, I think that the company's promotion campaign in and outside the company has generated results. I have heard that the company is planning large-scale solar power generation and solar heat utilization as a future development. I hope that the company will look at the data, including the results of field tests for the above equipment, and install as early as possible natural energy equipment that will lead to a major reduction in carbon dioxide.

With the effect of soaring oil prices and the ease of disposing of waste plastic by selling it to outside recyclers, many companies are attempting to improve their recycling rate through this option. Toyota Boshoku is working on the in-house recycling of waste plastic from resin moldings. Through this effort, it recycles two tons of plastic per year as a material for ornaments. I hope that the company will greatly promote such in-house recycling in the future and undertake efforts that will serve as a good example for other companies. It can do this by achieving further reductions in waste material and emissions as a representative Japanese company.

Column

External Evaluation

Environmental management ranking moved up to 12th from 40th Toyota Boshoku's business activities receive high praise even from outside Japan

Toyota Boshoku placed 12th in the manufacturing sector in the 11th Nikkei Environmental Management Survey published in December 2007. This survey comprehensively evaluates corporate environmental measures based on the results of a questionnaire sent out to companies. Toyota Boshoku's ranking moved up considerably from 40th in 2006.

Moreover, Toyota Boshoku was honored with a spot in the Asian Fab 50 listing published in December 2007 by Forbes, a U.S. economic magazine. Inclusion in this list is an appraisal of a company as being aggressive in terms of its long-term profitability, sales and revenue growth, revenue plans, and stock price growth in addition to being a company in Asia with gross profit of market capitalization of \$5 billion.

Financial Data

Consolidated net sales for fiscal 2007 increased by 151.0 billion yen over the previous year to 1,233.8 billion yen, while ordinary incomes increased by 13.5 billion yen over the previous year to 65.7 billion yen, marking the ninth straight period of increased revenue and incomes. Details of business performance in fiscal 2007 and financial data are shown in the following pages.



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10-Year Financial Summary

(Net Sales, Operating Income, Net Income, Total Net Assets, etc.)

TOYOTA BOSHOKU CORPORATION Years ended March 31

	2008	2007	2006	2005
		(Note 1)		(Note 2)
Net sales	¥1,233,789	¥1,082,756	¥877,596	¥456,311
Operating income	65,597	48,381	33,765	17,867
Ordinary income	65,696	52,143	37,839	19,110
Net income	40,720	30,106	21,187	8,979
Total net assets	226,880	197,797	133,279	109,471
Common stock	8,400	8,400	8,400	8,400
Total assets	527,622	464,748	396,692	311,656
Capital expenditures	52,962	47,550	50,481	21,306
Depreciation and amortization	32,941	29,378	21,344	14,273
R&D expenses	31,717	26,404	24,829	15,237
Per Share				
Net income (Basic)	¥217.76	¥160.76	¥111.60	¥68.65
Net income (Diluted) (Note 6)	217.55	160.70	111.58	68.56
Cash dividends	35.00	24.00	16.00	12.00
Net assets	997.43	858.86	709.91	583.31
Financial Indicators				
Operating income to net sales (%)	5.3	4.5	3.8	3.9
Ordinary income to net sales (%)	5.3	4.8	4.3	4.2
Return on equity (ROE) (%)	23.5	20.5	17.5	12.9
Shareholders' Equity (at the end of each FY)				
Number of shares issued (thousands)	187,666	187,666	187,666	187,666
Share price (yen, U.S. dollars)	2,985	2,790	1,984	2,630
Market capitalization (millions of yen, millions of U.S. dollars) (Note 7)	560,182	523,587	372,329	493,561
Number of employees	26,942	24,643	21,132	18,068

Notes: 1. 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.

2. Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former TOYODA BOSHOKU CORPORATION (pre-merger), and for the second half (from October 1, 2004 to March 31, 2005) for the new TOYOTA BOSHOKU CORPORATION.

3. Figures for 2004 and before are for the former TOYODA BOSHOKU CORPORATION, and those for 1999 are non-consolidated figures of the former TOYODA BOSHOKU CORPORATION.

4. Three plants have been taken over as a result of a merger with Toyota Kakoh Co., Ltd. in October 2000.

5. Figures in U.S. Dollars for 2008 were converted at ¥100.19, the exchange rate as of March 31, 2008.

6. With regard to the diluted net Income-per share of common stock before 2003, dilutive factors did not exist.

7. Market capitalization is calculated by multiplying the number of outstanding shares at the end of the fiscal year by the share price at the end of the period.

Breakdown of Net Sales (4 years)

	2008	2007	2006	2005	2008
		(Note 1)		(Note 2)	(Note 3)
Interior components	¥1,102,487	¥973,548	¥787,150	¥377,653	\$11,004
Filtration & power train components	86,064	76,161	67,163	58,308	859
Textiles, exterior components and others	45,238	33,047	23,283	20,350	452

Notes: 1. From 2007, seatbelts, airbag base fabrics, airbags, and other specified products are classified into different segments from those of previous years for reasons of our new management division.

2. Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former TOYODA BOSHOKU CORPORATION (pre-merger), and for the second half (from October 1, 2004 to March 31, 2005) for the new TOYOTA BOSHOKU CORPORATION.

3. Figures in U.S. Dollars for 2008 were converted at ¥100.19, the exchange rate as of March 31, 2008.

Millions of yen						Millions of U.S. dollars
2004	2003	2002	2001	2000	1999	2008
(Note 3)	(Note 3)	(Note 3)	(Notes 3,4)	(Note 3)	(Note 3)	(Note 5)
¥118,554	¥107,321	¥91,864	¥81,792	¥50,109	¥46,332	\$12,314
5,332	5,035	4,337	3,980	2,579	1,626	655
5,315	5,006	4,373	3,924	2,552	1,559	656
2,839	3,002	2,508	571	1,375	435	406
29,396	26,967	25,415	23,556	18,315	17,402	2,265
4,933	4,933	4,933	4,933	4,558	4,558	84
71,434	64,527	60,270	52,088	38,138	36,720	5,266
6,942	7,815	6,327	6,612	8,562	3,950	529
5,774	5,872	6,016	5,108	4,163	3,489	329
5,570	4,647	3,473	3,075	2,331	1,914	317
Yen						U.S. dollars
¥40.95	¥43.33	¥37.33	¥9.00	¥23.05	¥7.29	\$2.17
40.93	—	—	—	—	—	2.17
9.00	8.00	7.00	6.50	6.50	5.50	0.35
439.86	403.42	378.36	350.67	306.92	291.62	9.96
4.5	4.7	4.7	4.9	5.1	3.5	—
4.5	4.7	4.8	4.8	5.1	3.4	—
10.1	11.5	10.2	2.7	7.8	2.5	—
67,174	67,174	67,174	67,174	59,674	59,674	—
899	531	671	671	778	310	\$29.79
60,390	35,670	45,074	45,074	46,427	18,498	\$5,591
3,494	3,089	2,750	2,135	1,584	1,380	—

Sales by Geographical Segments (4 years)

	Millions of yen				Millions of U.S. dollars
	2008	2007	2006	2005	2008
	(Note 1)			(Note 1)	(Note 2)
Japan	¥718,288	¥655,486	¥543,534	¥317,507	\$7,170
North, Central and South America (U.S.A., Canada, Mexico, Argentina)	233,474	230,249	225,197	100,426	2,330
Asia(China, Thailand, Vietnam, Philippines, Indonesia, India)	212,228	145,995	77,263	23,835	2,119
Others(Australia, Belgium, Turkey, South Africa, etc.)	69,799	51,026	31,602	14,542	696

Notes:1. Figures for the first half of 2005 (from April 1, 2004 to September 30, 2004) are for the former TOYODA BOSHOKU CORPORATION (pre-merger), and for the second half (from October 1, 2004 to March 31, 2005) for the new TOYOTA BOSHOKU CORPORATION.

2. Figures in U.S. Dollars for 2008 were converted at ¥100.19, the exchange rate as of March 31, 2008.

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

TOYOTA BOSHOKU CORPORATION Years ended March 31, 2008 and 2007

Overview

TOYOTA BOSHOKU CORPORATION (the "Company") and its subsidiaries (collectively "Companies") consist of 73 subsidiaries and 12 affiliates accounted for by the equity method in fiscal 2008.

In fiscal 2008, automobile industry domestic sales declined due to the prolongment of purchase cycle and increases in fuel prices. However overall domestic production exceeded prior year levels due to increased exports.

Net sales increased by 151.0 billion yen (13.9%) to 1,233.8 billion yen. Ordinary income increased by 13.5 billion yen (26.0%) to 65.7 billion yen from fiscal 2007. Net income increased by 10.6 billion yen (35.3%) to 40.7 billion yen from fiscal 2007.

Sales

Net sales increased by 151.0 billion yen (13.9%) to 1,233.8 billion yen from fiscal 2007 due to the increase in production in seats and door trim. A breakdown of net sales follows:

Sales of interior components such as seats and door trim increased by 128.9 billion yen (13.2%) to 1,102.5 billion yen from fiscal 2007 due to increased production.

Sales of filtration and power train components increased by 9.9 billion yen (13.0%) to 86.1 billion yen from fiscal 2007 due to increased production of air filters and others.

Sales of textiles, exterior components and others increased by

12.2 billion yen (36.9%) to 45.2 billion yen from fiscal 2007.

Additionally, global expansion increased the number of overseas subsidiaries, and the ratio of overseas sales to consolidated net sales increased from 39.6% to 41.7%.

Operating income

While increased labor costs and product price fluctuations had a negative impact, the production increase associated with increased revenue and rationalization at all group companies raised operating income by 17.2 billion yen (35.6%) to 65.6 billion yen.

Non-operating income (expenses)

Due to increases in interest income, non-operating income rose by 0.5 billion yen (6.0%) to 9.2 billion yen compared with fiscal 2007.

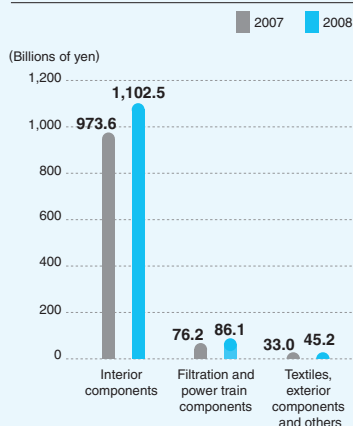
Non-operating expenses rose by 4.2 billion yen (85.7%) to 9.1 billion yen compared with fiscal 2007 attributable to influence of foreign exchange rates and increases in interest expense.

Income taxes and deferred tax expense

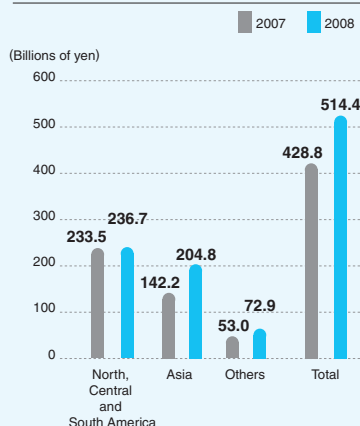
Compared with fiscal 2007, income taxes and deferred tax expense decreased by 1.0 billion yen (\triangle 6.8%) to 14 billion yen.

The ratio with respect to income before income taxes and minority interests went from 29.6% to 20.9% compared with fiscal 2007.

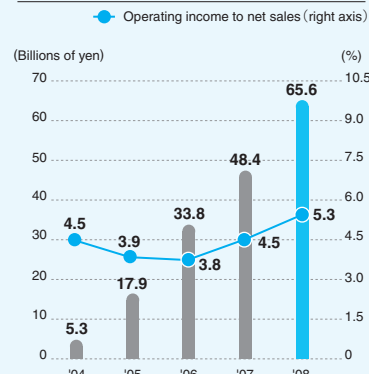
Net sales by product



Overseas net sales



Operating income / Operating income to net sales



Note: In 2005, the Company, the former TOYODA BOSHOKU CORPORATION, merged with Araco Corporation's automotive interior division and Takanichi Co., Ltd. Figure of 2004 is for the former TOYODA BOSHOKU CORPORATION.

Minority interests in net income of subsidiaries

Minority interest in net income of subsidiaries went up 6.8 billion yen (119.3%) to 12.5 billion yen mostly attributable to increased gains in subsidiaries in Asia.

Net income

Net income rose 10.6 billion yen (35.3%) to 40.7 billion yen compared with fiscal 2007. Net Income per share is 217.76 yen.

Cash flows

Cash flows for fiscal 2008 was up 72.3 billion yen from operating activities, down 52.4 billion yen from investing activities, up 16.1 billion yen from financing activities and down 3.8 billion yen from conversion losses. As a result, the end of

year balance for cash and cash equivalents for the current consolidated fiscal year is 92.3 billion yen, an increase of 32.2 billion yen compared with fiscal 2007.

Financial condition

Total assets rose 13.5% to 527.6 billion yen from fiscal 2007.

Capital expenditures

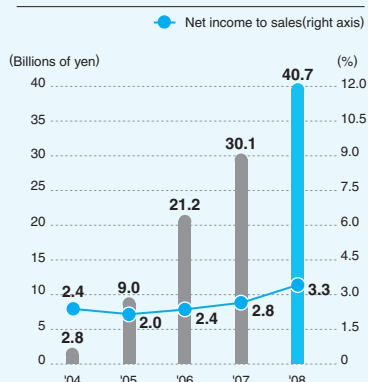
For fiscal 2008, Companies made efforts to focus on investments such as streamlining and updating production facilities as well as developing new products. Capital expenditures increased by 11.4% from fiscal 2007 to 53.0 billion yen. This was mostly resulted from development for new products and production increase in North, Central and South America and China.

The active capital investments caused an increase of 12.1% in the depreciation and amortization compared with fiscal 2007 to 32.9 billion yen.

Future outlook

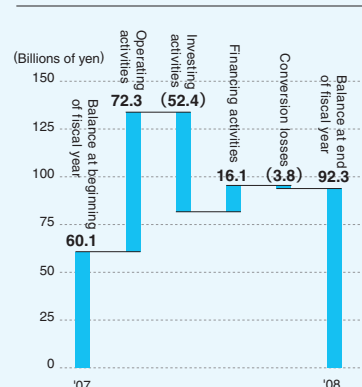
Net sales are expected to increase by 0.5% to 1,240.0 billion yen from fiscal 2008, ordinary income is expected to decrease by 10.2% to 59.0 billion yen from fiscal 2008, and net income is expected to decrease by 14.0% to 35.0 billion yen from fiscal 2008, during the year ending March 31, 2009.

Net income / Net income to sales

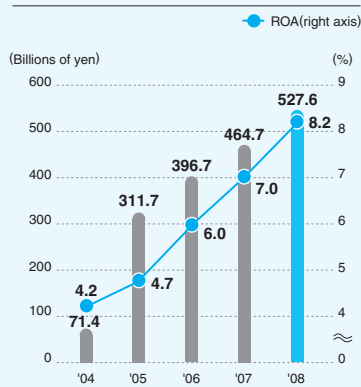


Note: In 2005, the Company, the former TOYODA BOSHOKU CORPORATION, merged with Araco Corporation's automotive interior division and Takanichi Co., Ltd. Figure of 2004 is for the former TOYODA BOSHOKU CORPORATION.

Cash flows

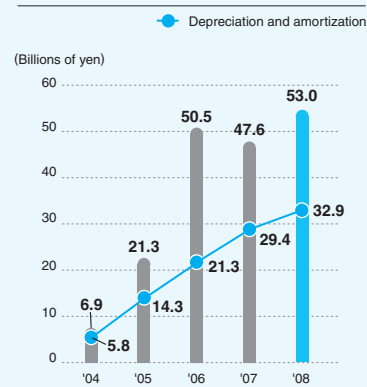


Total assets / ROA



Note: In 2005, the Company, the former TOYODA BOSHOKU CORPORATION, merged with Araco Corporation's automotive interior division and Takanichi Co., Ltd. Figure of 2004 is for the former TOYODA BOSHOKU CORPORATION.

Capital expenditures / Depreciation and amortization



Note: In 2005, the Company, the former TOYODA BOSHOKU CORPORATION, merged with Araco Corporation's automotive interior division and Takanichi Co., Ltd. Figure of 2004 is for the former TOYODA BOSHOKU CORPORATION.

Business risks

In operating results, stock price and financial condition of Companies are exposed to the risks described below. However, this is not a comprehensive list of all risks affecting the Group. There are other risks in addition to those listed below that could influence investors' decisions.

Perspective items are assessed as of date of the submission of the consolidated financial statements of June 23, 2008.

1. Economic conditions

Companies' business includes the manufacture and sale of products and services around the world. Demand for automobile-related products, their major business, can be affected in part by economic conditions in their markets. Accordingly, economic downturns and a decrease in demand for automobiles in their major markets, including Japan, North, Central and South America, Asia, and Europe, may have a negative impact on their operating results and financial condition.

2. Dependence on specific customers

Companies sell interior components and other various automotive parts mainly to Toyota Motor Corporation (TMC). Their sales resulted in 42.7% of their products to TMC during fiscal 2008. TMC's automobile sales may impact on their operating results and financial condition. As of the end of fiscal 2008, TMC had 39.5% direct ownership in the Company and 0.1% indirect ownership.

3. Potential risks of international activities and overseas operations

Companies' worldwide markets in Japan, North, Central and South America, Asia and Europe, have the following risks due to varying country conditions within those markets:

- (1) Unforeseen changes in laws and regulations
- (2) Unfavorable political or economic factors
- (3) Difficulty in hiring and maintaining personnel
- (4) Unfavorable changes in tax systems
- (5) Social ferment caused by terrorism, war and other factors

4. Fluctuations in foreign exchange rates

Companies' business includes the manufacture and sale of products and services around the world. Foreign currency denominated items such as sales, expenses, assets and liabilities are translated into Japanese yen when preparing consolidated financial statements. The converted value of these items in yen may be affected by fluctuations in exchange rates, even if local prices are the same. In general, appreciation of the yen against other currencies may have a negative impact on Companies' operating results and financial condition.

5. Price competition

The automobile industry faces severe price competition. Automobile manufacturers have requested more competitive pricing from us in recent years.

While Companies believe their products are competitive in technology, quality and price, there is no guarantee that they will be able to compete effectively in the future, due to the chance of a rapid expansion in market share caused by the emergence of new competitors and tie-ups between existing competitors in Companies' product markets and their regional markets. The loss of customers due to the pressure exerted on prices and inability to compete effectively may have a negative impact on their operating results and financial condition.

6. Dependence on raw materials and parts suppliers

Companies' production is dependent on several external suppliers for raw materials and parts. They have concluded basic contracts with external suppliers so that a stable supply of raw materials and parts ensures stable production, but supply pressures caused by global product shortages and unforeseen accidents on the part of suppliers could lead to a shortage of raw materials and products. This may lead to production delays and raise unit costs.

7. Ability to develop new products

One of Companies' basic philosophies is to develop innovative technologies and products that satisfy customers and meet high

quality standards. In accordance with this philosophy, they anticipate the needs of the sophisticated, diverse market and strive to develop new products that will satisfy their customers. Companies will continue to develop and market new products, but this process is complex and uncertain and carries various risks, including those listed below:

- (1) There is no guarantee that Companies will be able to secure adequate money and resources to invest in new products and technology.
- (2) There is no guarantee that long-term and large investments of resources will result in successful new products and technologies.
- (3) Companies' products could become outdated due to rapid technological advances and changes in market needs.
- (4) Delays in marketing new technologies currently being developed could prevent us from meeting market demand.

8. Intellectual property rights

Companies strive to build up and protect their technology and expertise to differentiate their products from other companies' products, but it is difficult to completely protect intellectual property rights in some regions, and some of those rights can only be partially protected. As a result, there is a possibility that Companies may be unable to prevent a third party from using their intellectual property to produce similar products. There is also a possibility that they will be unable to prevent other companies from developing similar or superior technology, and/or copying or performing reverse engineering on patents and corporate secrets. Furthermore, despite of Companies efforts to promote product and technical development in consideration of other companies' intellectual property rights, there could be a possibility to be determined in the future that their products and technology impinge on other companies' intellectual property rights.

9. Product defects

One of Companies' basic philosophies is to supply safe products that do not harm the natural world, and promote corporate activities that protect the global environment.

Companies continually strive to improve the quality of their products.

Although Companies are insured for product liability indemnity, there is no guarantee that this insurance will sufficiently cover final indemnity amounts incurred. Product deficiencies leading to the award of very large product liability damages could lead to large costs, a damaged reputation and decreased sales and profits, thereby having a negative impact on its operating results and financial condition.

10. Influence of natural disasters and power failures

Companies regularly examine and check their production facilities. Nevertheless, there is no guarantee that they will be able to completely prevent and alleviate the influence of human and natural disasters, such as the breakdown of production facilities, and fires and power failures at production facilities. For example, the majority of their domestic factories are located in the Chubu region. Accordingly, their operating results and financial condition may suffer a negative impact in the event of a large-scale earthquake or other such event that affects operations.

11. Employee retirement benefits

Costs and liabilities for employee retirement benefits are calculated based on actuarial assumptions such as the discount rate, as well as the expected return on pension assets. Differences between actual results and assumptions, as well as changes in those assumptions, could have a significant impact on reported future costs and liabilities.

The aforementioned risks could lead to unforeseen events and impede production and other business activities. Such occurrences may have a negative impact on Companies' operating results and financial condition.

Consolidated Balance Sheets

TOYOTA BOSHOKU CORPORATION As of March 31, 2008 and 2007

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Assets			
Current assets			
Cash and cash equivalents (Notes 14,20)	¥92,281	¥60,090	\$921
Short-term investments	1,025	1,400	10
Trade notes and accounts receivable (Notes 9,20)	163,639	153,364	1,633
Inventories (Note 5)	29,182	26,737	291
Deferred tax assets (Note 18)	6,503	5,617	65
Other current assets	23,653	20,726	237
Less: allowance for doubtful accounts	(599)	(609)	(6)
Total current assets	315,684	267,325	3,151
Property, plant and equipment, at cost			
Land (Note 7)	19,739	17,718	197
Buildings and structures (Note 7)	116,711	107,910	1,165
Machinery, equipment and vehicles	179,958	173,046	1,797
Tools, furniture and fixtures (Note 7)	81,289	75,774	811
Construction in progress	11,144	5,338	111
Total property, plant and equipment	408,841	379,786	4,081
Less: accumulated depreciation	(232,969)	(215,062)	(2,326)
Total property, plant and equipment	175,872	164,724	1,755
Investments and other assets			
Investments in securities (Notes 6,14)	9,026	12,851	90
Deferred tax assets (Note 18)	15,022	11,890	150
Goodwill	2,702	—	27
Other investments (Note 6)	9,480	8,114	95
Less: allowance for doubtful accounts	(164)	(156)	(2)
Total investments and other assets	36,066	32,699	360
Total assets	¥527,622	¥464,748	\$5,266

The accompanying notes are an integral part of these consolidated financial statements.

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Liabilities and net assets			
Current liabilities			
Short-term borrowings (Note 23)	¥18,726	¥22,663	\$187
Current portion of long-term debt (Note 23)	162	1,293	2
Trade notes and accounts payable (Note 20)	164,686	158,227	1,644
Accrued expenses	27,779	27,090	277
Income taxes payable	6,796	7,096	68
Allowance for product warranties	2,143	2,281	21
Allowance for bonuses to directors and corporate auditors	293	301	3
Other current liabilities (Note 18)	18,554	17,985	185
Total current liabilities	239,139	236,936	2,387
Long-term liabilities			
Long-term debt (Note 23)	37,020	6,215	369
Allowance for employee retirement benefits (Note 16)	20,038	20,008	200
Allowance for retirement benefits for directors and corporate auditors	808	755	8
Negative goodwill	—	74	—
Other long-term liabilities (Notes 7,18)	3,737	2,963	37
Total long-term liabilities	61,603	30,015	614
Total liabilities	300,742	266,951	3,001
Commitments and contingent liabilities (Notes 8,13)			
Net assets			
Common stock, no par value	8,400	8,400	84
Authorized - 500,000,000 shares in 2008 and 2007			
Issued - 187,665,738 shares in 2008 and 2007			
Capital surplus	9,126	9,104	91
Retained earnings	174,773	139,665	1,745
Treasury stock at cost	(1,881)	(373)	(19)
- 828,751 shares in 2008			
- 379,896 shares in 2007			
Total shareholders' equity	190,418	156,796	1,901
Valuation and translation adjustments			
Net unrealized gains on other securities	1,255	1,937	13
Deferred gains or losses on hedges	14	59	0
Foreign currency translation adjustments	(5,330)	2,060	(54)
Total valuation and translation adjustments	(4,061)	4,056	(41)
Subscription rights to shares	156	16	2
Minority interests in consolidated subsidiaries	40,367	36,929	403
Total net assets	226,880	197,797	2,265
Total liabilities and net assets	¥527,622	¥464,748	\$5,266

Consolidated Statements of Income

TOYOTA BOSHOKU CORPORATION For the years ended March 31, 2008 and 2007

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Net sales (Notes 19,20)	¥1,233,789	¥1,082,756	\$12,314
Cost of sales (Notes 10,20)	1,122,775	995,096	11,206
Gross profit	111,014	87,660	1,108
Selling, general and administrative expenses			
Logistics costs	5,421	4,168	54
Salaries and bonuses	16,040	13,655	160
Welfare expenses	1,668	1,782	16
Retirement benefit expenses	570	603	6
Provision for bonuses to directors and corporate auditors	292	301	3
Provision for director retirement benefits	372	297	4
Taxes other than income taxes	1,091	856	11
Depreciation	1,766	3,616	17
Research and development expenses (Notes 10)	1,785	1,030	18
Goodwill amortization	292	43	3
Other selling, general and administrative expenses	16,120	12,928	161
Total selling, general and administrative expenses	45,417	39,279	453
Operating income	65,597	48,381	655
Non-operating income			
Interest income	2,145	1,498	21
Dividends income	60	40	1
Rent income	722	729	7
Equity in net earnings of affiliated companies	1,812	2,088	18
Exchange gain	—	1,221	—
Evaluation gain of derivatives	1,098	21	11
Other non-operating income	3,318	3,041	33
Total non-operating income	9,155	8,638	91
Non-operating expenses			
Interest expense	1,959	1,681	20
Loss on disposal of property, plant and equipment	787	912	8
Depreciation	1,094	607	11
Exchange loss	2,958	—	30
Other non-operating expenses	2,258	1,676	21
Total non-operating expenses	9,056	4,876	90
Ordinary income	65,696	52,143	656
Extraordinary gains			
Gain from adjustment of the purchase prices in the previous year for subsidiary in China	1,605	—	16
Gain from sale of fixed assets	—	99	—
Health insurance premium refund for subsidiaries in USA	—	931	—
Extraordinary losses			
Loss from sale of fixed assets	—	37	—
Loss from adjustment of the purchase prices in the previous year for subsidiaries in USA	—	2,246	—
Income before income taxes and minority interests	67,301	50,890	672
Income taxes-current	17,008	15,991	171
Income taxes-deferred	(2,963)	(923)	(30)
Less: minority interest in net income of subsidiaries	12,536	5,716	125
Net income	¥40,720	¥30,106	\$406

	Yen		U.S. dollars
Per share:	2008	2007	2008
Net income			
Basic	¥217.76	¥160.76	\$2.17
Diluted	217.55	160.70	2.17
Cash dividends	35.00	24.00	0.35

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Net Assets

TOYOTA BOSHOKU CORPORATION For the years ended March 31, 2008 and 2007

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance as of March 31, 2006	¥8,400	¥9,014	¥113,243	¥(229)	¥130,428
Changes of items during the period					
Cash dividends	—	—	(3,370)	—	(3,370)
Bonuses to directors and corporate auditors	—	—	(281)	—	(281)
Net income	—	—	30,106	—	30,106
Repurchase of treasury stock	—	—	—	(220)	(220)
Disposal of treasury stock	—	58	—	55	113
Increase due to stock exchange	—	32	—	21	53
Decrease from the change in number of affiliates applying equity method	—	—	(33)	—	(33)
Net changes of items other than shareholders' equity during accounting period	—	—	—	—	—
Total changes of items during the period	—	90	26,422	(144)	26,368
Balance as of March 31, 2007	¥8,400	¥9,104	¥139,665	¥(373)	¥156,796

	Millions of yen						
	Valuation and translation adjustments						
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2006	¥2,051	—	¥800	¥2,851	—	¥33,263	¥166,542
Changes of items during the period							
Cash dividends	—	—	—	—	—	—	(3,370)
Bonuses to directors and corporate auditors	—	—	—	—	—	—	(281)
Net income	—	—	—	—	—	—	30,106
Repurchase of treasury stock	—	—	—	—	—	—	(220)
Disposal of treasury stock	—	—	—	—	—	—	113
Increase due to stock exchange	—	—	—	—	—	—	53
Decrease from the change in number of affiliates applying equity method	—	—	—	—	—	—	(33)
Net changes of items other than shareholders' equity during accounting period	(114)	59	1,260	1,205	16	3,666	4,887
Total changes of items during the period	(114)	59	1,260	1,205	16	3,666	31,255
Balance as of March 31, 2007	¥1,937	¥59	¥2,060	¥4,056	¥16	¥36,929	¥197,797

Millions of yen					
Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance as of March 31, 2007	¥8,400	¥9,104	¥139,665	¥(373)	¥156,796
Changes of items during the period					
Cash dividends	—	—	(5,612)	—	(5,612)
Net income	—	—	40,720	—	40,720
Repurchase of treasury stock	—	—	—	(1,571)	(1,571)
Disposal of treasury stock	—	22	—	63	85
Net changes of items other than shareholders' equity during accounting period	—	—	—	—	—
Total changes of items during the period	—	22	35,108	(1,508)	33,622
Balance as of March 31, 2008	¥8,400	¥9,126	¥174,773	¥(1,881)	¥190,418

Millions of yen							
Valuation and translation adjustments							
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2007	¥1,937	¥59	¥2,060	¥4,056	¥16	¥36,929	¥197,797
Changes of items during the period							
Cash dividends	—	—	—	—	—	—	(5,612)
Net income	—	—	—	—	—	—	40,720
Repurchase of treasury stock	—	—	—	—	—	—	(1,571)
Disposal of treasury stock	—	—	—	—	—	—	85
Net changes of items other than shareholders' equity during accounting period	(682)	(45)	(7,390)	(8,117)	140	3,438	(4,539)
Total changes of items during the period	(682)	(45)	(7,390)	(8,117)	140	3,438	29,083
Balance as of March 31, 2008	¥1,255	¥14	¥(5,330)	¥(4,061)	¥156	¥40,367	¥226,880

The accompanying notes are an integral part of these consolidated financial statements.

Millions of U.S. dollars					
Shareholders' equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock at cost	Total shareholders' equity
Balance as of March 31, 2007	\$84	\$91	\$1,395	\$ (4)	\$1,566
Changes of items during the period					
Cash dividends	—	—	(56)	—	(56)
Net income	—	—	406	—	406
Repurchase of treasury stock	—	—	—	(16)	(16)
Disposal of treasury stock	—	0	—	1	1
Net changes of items other than shareholders' equity during accounting period	—	—	—	—	—
Total changes of items during the period	—	0	350	(15)	335
Balance as of March 31, 2008	\$84	\$91	\$1,745	\$ (19)	\$1,901

Millions of U.S. dollars							
Valuation and translation adjustments							
	Net unrealized gains on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total valuation and translation adjustments	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
Balance as of March 31, 2007	\$20	\$0	\$20	\$40	\$0	\$369	\$1,975
Changes of items during the period							
Cash dividends	—	—	—	—	—	—	(56)
Net income	—	—	—	—	—	—	406
Repurchase of treasury stock	—	—	—	—	—	—	(16)
Disposal of treasury stock	—	—	—	—	—	—	1
Net changes of items other than shareholders' equity during accounting period	(7)	(0)	(74)	(81)	2	34	(45)
Total changes of items during the period	(7)	(0)	(74)	(81)	2	34	290
Balance as of March 31, 2008	\$13	\$0	\$ (54)	\$ (41)	\$2	\$403	\$2,265

Consolidated Statements of Cash Flows

TOYOTA BOSHOKU CORPORATION For the years ended March 31, 2008 and 2007

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Cash flows from operating activities			
Income before income taxes and minority interests	¥67,301	¥50,890	\$672
Depreciation and amortization	32,941	29,378	329
Increase in allowance for doubtful accounts	62	305	1
Increase in allowance for employee retirement benefits	13	448	0
Interest and dividend income	(2,206)	(1,539)	(22)
Interest expense	1,959	1,681	20
Exchange loss(gain)	2,284	(769)	23
Equity in net earnings of affiliated companies	(1,812)	(2,088)	(18)
Gain on sale of property, plant and equipment	(605)	(270)	(6)
Loss on sale and disposal of property, plant and equipment	977	962	10
Increase in trade notes and accounts receivable	(13,688)	(17,719)	(137)
Increase in inventories	(3,969)	(1,000)	(40)
Increase in trade notes and accounts payable	7,660	19,743	76
Payment of directors and corporate auditor's bonuses	—	(291)	—
Others	(3,797)	5,209	(38)
Sub-total	87,120	84,940	870
Interest and dividend income received	4,041	2,768	40
Interest paid	(1,646)	(1,661)	(16)
Income taxes paid	(17,144)	(13,890)	(172)
Net cash provided by operating activities	72,371	72,157	722
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	(50,372)	(43,011)	(503)
Proceeds from sales of property, plant and equipment	2,140	1,509	21
Payment for purchase of investments in securities	(853)	(1,397)	(9)
Payment for acquisition of subsidiaries' stock resulting in change in scope of consolidation (Note 12)	(3,060)	—	(30)
Proceeds from collections of loans	324	274	3
Increase in time deposits	(1,131)	(1,127)	(11)
Decrease in time deposits	1,475	291	15
Others	(958)	(2,487)	(9)
Net cash used in investing activities	(52,435)	(45,948)	(523)
Cash flows from financing activities			
Net(decrease) increase in short-term borrowings	(2,009)	1,219	(20)
Proceeds from long-term debt	31,436	3,165	314
Repayments of long-term debt	(1,626)	(4,502)	(16)
Payment for purchase of treasury stock	(1,571)	(219)	(16)
Cash dividends paid	(5,608)	(3,367)	(56)
Cash dividends paid to minority shareholders	(5,141)	(2,399)	(51)
Proceeds from issuance of stocks to minority shareholders	489	105	5
Others	84	113	0
Net cash provided by (used in) financing activities	16,054	(5,885)	160
Translation adjustment of cash and cash equivalents	(3,799)	509	(38)
Net increase in cash and cash equivalents	32,191	20,833	321
Cash and cash equivalents at beginning of year	60,090	39,257	600
Cash and cash equivalents at end of year (Note 20)	¥92,281	¥60,090	\$921

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Financial Statements

TOYOTA BOSHOKU CORPORATION For the years ended March 31, 2008 and 2007

1 Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of TOYOTA BOSHOKU CORPORATION (the "Company") and its subsidiaries (collectively "Companies") have been prepared in accordance with the provisions set forth in the Corporate Law of Japan, the former Securities and Exchange Law, the Financial Instruments and Exchange Law, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau of Japan have been reclassified in these accounts for the convenience of readers outside of Japan.

Certain comparative figures have been reclassified to conform to the standards of the year ended March 31, 2008.

2 Yen and U.S. dollars amounts

Japanese yen amounts are shown in units of one million yen. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside of Japan. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be, translated into U.S. dollars at the given rate or any other rate. The translations have been made at the rate of 100.19 yen to \$1 U.S., the rate of exchange on March 31, 2008.

3 Summary of significant accounting policies

① Principles of consolidation

The consolidated financial statements included the accounts of all 73 subsidiaries and 69 subsidiaries for the years ended March 31, 2008 and 2007, respectively.

For the year ended March 31, 2008, Toyota Boshoku Uniform Corporation, TOYOTA BOSHOKU MISSISSIPPI, LLC., TOYOTA BOSHOKU DO BRASIL LTDA. and TOYOTA BOSHOKU INDIANA, LLC. were newly established as subsidiaries; Thai Automotive Seating & Interior Co., Ltd, previously an affiliate accounted for by the equity method, became a subsidiary after stock acquisition; and Co-werk Co., Ltd. became a subsidiary after capital increase. These companies are newly added to the scope of consolidation from the year ended March 31, 2008.

Thai Automotive Seating & Interior Co., Ltd. changed its corporate name to TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD. on August 1, 2007.

As the subsidiaries, Aiho Corporation was merged into AR Service Co., Ltd., and TB Transport Co., Ltd. was merged into TB Service Corporation respectively, they are excluded from the scope of consolidation from the year ended March 31, 2008.

AR Service Co., Ltd. changed its corporate name to TB CORPORATE SERVICE CORPORATION and TB Service Corporation to TB LOGISTICS SERVICE CORPORATION on October 1, 2007, and TOYOTA BOSHOKU (SHANGHAI) CO., LTD. changed its corporate name to TOYOTA BOSHOKU (CHINA) CO., LTD. on February 29, 2008.

For the year ended March 31, 2007, Toyota Boshoku Shiga Corporation, Toyota Boshoku Canada, Inc., and TOYOTA BOSHOKU LLC. were newly established and added to the scope of consolidation from the year ended March 31, 2007.

As the subsidiary, TAIWAN ARACO Co., LTD was liquidated and excluded from the scope of consolidation from the year ended March 31, 2007.

② Affiliates accounted for by the equity method

Investments in 12 affiliates are accounted for by the equity method for the years ended March 31, 2008 and 2007.

For the year ended March 31, 2008, KANTO SEAT WORKS, LTD became an affiliate accounted for by the equity method due to newly invested from the year ended March 31, 2008. As a result, a wholly owned its subsidiary, KANTO SEAT KITAKAMI CO., LTD. is also accounted for by the equity method.

On the other hand, affiliates accounted for by the equity method, TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD. and Co-werk Co., Ltd. became subsidiaries, and therefore, they are excluded from the scope of accounting for by the equity method from the year ended March 31, 2008.

For the year ended March 31, 2007, an equity-method affiliate, AITEC Co., Ltd., was excluded from the scope of accounting for by the equity method in the same fiscal year due to decrease in influences.

For the year ended March 31, 2007, THAI SEAT BELT CO., LTD. changed the fiscal year-end date from December 31 to March 31.

The fiscal years of certain affiliates accounted for by the equity method are different from that of the Company. The Company is using the financial statement for their respective fiscal years.

③ Fiscal year of subsidiaries

Among the subsidiaries, the fiscal years of the following subsidiaries are different from that of the Company (March 31):

December 31: SHIN SAN SHING CO., LTD., Ningbo ARACO Co., Ltd., Tianjin Intex Auto Parts Co., Ltd., Guangzhou Intex Auto Parts Co., Ltd., Feng'ai (Guangzhou) Auto Seat Parts Co., Ltd., TOYOTA BOSHOKU FOSHAN Co., Ltd., Tianjin Feng'ai Automotive Seat Parts Co., Ltd., and others. Total 19 subsidiaries.

For the year ended March 31, 2008, TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD. changed the fiscal year-end date from December 31 to March 31.

The fiscal years of certain subsidiaries are different from the fiscal year of the Company. Since the difference is not more than three months, the Company is using those subsidiaries' statements for those fiscal years, making adjustments for significant transactions that materially affect the financial position or results of operations.

④ Standards for accounting procedures

(1) Securities

Companies do not have trading securities that are held for the purpose of generating profits on short-term differences in prices. Held-to-maturity securities are stated at amortized cost with the straight line method.

Other securities with readily determinable fair values are stated at fair value, based on market prices at the fiscal year end.

Net unrealized gain and loss on these securities are included in net unrealized gain on other securities as a separate item in the net assets at a net-of-tax amount.

Cost of sales of such securities is determined by the moving average method.

Other securities without readily determinable fair values are stated at cost, as determined by the moving average method.

(2) Derivatives

Derivatives are valued at fair value, if hedge accounting is not appropriate or where there is no hedging designation.

The derivatives designated as hedging instruments by Companies are principally currency swaps, forward exchange contracts and interest rate swaps.

Companies have a policy to utilize the above hedging instruments in order to reduce the exposure to the risk of fluctuation in exchange rate and interest rate. Thus, Companies' purchase of the hedging instruments is limited to, at maximum, the amounts of the hedged items.

(3) Inventories

Inventories for finished goods, raw materials, work in progress and supplies are mainly stated at cost, determined by the periodic average method.

(4) Method of depreciation and amortization of fixed assets

(a) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed mainly by the declining balance method, at rates based on the useful lives and residual values stipulated in the Corporation Tax Law in Japan.

For the year ended March 31, 2008, machinery, equipment and vehicles as well as tools, furniture and fixtures acquired before March 31, 2007 are principally depreciated up to the

actual residual values after their residual values became 5% of their acquisition cost.

For the year ended March 31, 2007, machinery, equipment and vehicles as well as tools, furniture and fixtures are depreciated up to their actual residual values after reaching the allowable limit for depreciation stipulated in the Corporation Tax Law in Japan.

(b) Intangible assets

Amortization of intangible assets is computed using the straight-line method.

(5) Allowance standards

(a) Allowance for doubtful accounts

Allowance for doubtful accounts has been provided for as the aggregate amount of estimated credit loss for doubtful or troubled receivables, and a general allowance for other receivables is calculated on the basis of the historical loss experience for a certain past period.

(b) Allowance for bonuses to directors and corporate auditors

Companies accrue an amount that is considered to be incurred in the period based on the estimated payment of bonuses to directors and corporate auditors.

(c) Allowance for product warranties

Allowance for product warranties has been provided for the amount of estimated claims.

(d) Allowance for employee retirement benefits

Companies accrue the amount that is considered to have been incurred in that period, based on the estimated projected benefit obligations and estimated pension assets at the end of year.

Actuarial gains or losses are amortized and charged to income over employees' average remaining service period (15-17 years) starting from the following fiscal year in which they occur.

Past service costs are amortized and charged to income over employees' average remaining service period (15-17 years).

(e) Allowance for retirement benefits for directors and corporate auditors

To provide for the retirement benefits for directors and corporate auditors, the amount which is calculated at fiscal year-end based on internal rule is accrued.

(6) Finance leases

Where a finance lease does not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Company and its domestic subsidiaries is not capitalized, and the related rental and lease expenses are charged to income as incurred.

(7) Hedge accounting**(a) Method of hedge accounting**

The deferral method of hedge accounting is applied.

For the year ended March 31, 2008, the hedge items used to avoid perspective risk of exchange fluctuation are translated at contracted forward rates if certain conditions are met, and interest rate swaps are not re-measured at market value but the differentials paid or received under the swap contracts are recognized and included in interest expense or income if specific matching criteria is met.

For the year ended March 31, 2007, the hedged items of forward exchange contract and cross-currency swaps are translated at contracted forward rates if certain conditions are met.

(b) Hedging instruments and hedged items

The hedged items and hedging instruments which hedge accounting is applied for the years ended March 31, 2008 and 2007 are as follows.

For the year ended March 31, 2008

a. Hedging instruments:

Forward exchange contract, cross-currency swaps.

Hedged items:

Assets and liabilities denominated in foreign currencies.

b. Hedging instruments: Interest rate swaps.

Hedged items: Borrowings.

For the year ended March 31, 2007

Hedging instruments:

Forward exchange contract, cross-currency swaps.

Hedged items:

Assets and liabilities denominated in foreign currencies.

(c) Hedging policy

For the year ended March 31, 2008, derivatives are principally applied based on the companies' internal rules to hedge assets and liabilities for avoiding perspective risks of exchange rate and interest rate fluctuations.

For the year ended March 31, 2007, forward exchange contract and cross-currency swaps are applied to foreign currency assets and liabilities, only for avoiding perspective risk of exchange fluctuation.

(d) Method used to measure hedge effectiveness

Hedge effectiveness is measured by comparing accumulated changes in market prices of hedged items and hedging instruments from the inception of the hedge to the date of measurements performed.

However, measurement of hedge effectiveness is omitted for interest rate swaps if specific matching criteria is met.

(8) Accounting standard for consumption taxes

Consumption taxes and local consumption taxes are excluded from the sale and expense accounts which are subject to such taxes.

(9) Corporate income taxes, resident taxes and enterprise taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(10) Translation of foreign currencies

Receivables, payables and securities denominated in foreign currencies are converted into Japanese yen at the exchange rates at fiscal year end. Transaction in foreign currencies is recorded based on the prevailing exchange rate on the transaction dates and the resulting translation gains or losses are included in income statements.

In respect of the financial statement items of overseas subsidiaries, all assets and liabilities accounts are translated into Japanese yen by applying the exchange rates in effect at the fiscal year end. For the year ended March 31, 2008, all income and expense accounts are translated into Japanese yen by applying the average exchange rate during the fiscal year, and for the year ended March 31, 2007, all income and expense accounts are translated into Japanese yen by applying the exchange rate in effect at the fiscal year end. Translation differences after allocating to minority interest for portions attributable to minority interest are reported as foreign currency translation adjustments in a separate component of shareholders' equity in the accompanying consolidated balance sheets.

(11) Per share data

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming that stock options were exercised at the beginning of the relevant year or (if later) on their first exercise date, and as if the funds obtained thereby were used to purchase common stock at the average market price during the relevant years under the treasury stock method.

Cash dividends per share shown for each fiscal year in the accompanying consolidated statements of income represent dividends declared by the Company as applicable to the relevant years.

⑤Valuation of assets and liabilities of subsidiaries.

A full portion of the assets and liabilities of the acquired subsidiaries is stated at fair value as of the date of acquisition of control.

⑥Goodwill and negative goodwill

Goodwill and negative goodwill, if material, are amortized principally over a period of 5 years on a straight-line basis, while immaterial goodwill is charged to income as incurred.

⑦Cash and cash equivalents

Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash and cash equivalents include cash on hand, demand deposits and short-term investments that mature or become due within three months from the date of acquisition.

4 Changes in significant accounting policies

①Depreciation method for property, plant and equipment

Effective from the year ended March 31, 2008, due to the revision of the Corporation Tax Law in Japan, a depreciation method prescribed in the revised Law is applied to property, plant and equipment that were acquired after April 1, 2007 by the Company and its domestic subsidiaries.

As a result, operating income decreased by ¥1,424 million (\$14 million), and ordinary income and income before income taxes and minority interest both decreased by ¥1,489 million (\$15 million).

Effective from the year ended March 31, 2008, the residual values of assets (primarily buildings and structures) of the Company and its domestic subsidiaries, which were acquired before March 31, 2007, and computed in compliance with the Corporation Tax Law before revision, are depreciated on a straight-line basis evenly for five years after the available limit for depreciation is reached.

The resulting impact on profits and losses is not significant.

②Translation method for income and expense of overseas subsidiaries

Previously income and expense accounts of overseas subsidiaries were translated at the prevailing exchange rates at fiscal year end of the subsidiaries. However, from the year ended March 31, 2008, the rate to be used is changed to the average exchange rate during the period. This change allows more realistic translation of all income and expense items that accrue during the fiscal year, as these subsidiaries are getting more important.

As a result, net sales increased by ¥46,172 million (\$461 million), operating income increased by ¥3,469 million (\$35 million), ordinary income increased by ¥3,796 million (\$38 million), and income before income taxes and minority interest increased by ¥3,782 million (\$38 million).

③Accounting standard for directors' bonus

Effective from the year ended March 31, 2007, "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No.4) issued on November 29, 2005 was applied.

As a result, operating income, ordinary income and income before income taxes and minority interest for the year ended March 31, 2007 decreased by ¥301 million.

④Accounting standard for presentation of net assets in the balance sheet

Effective from the year ended March 31, 2007, "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No.5) issued on December 9, 2005 and "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No.8) issued on December 9, 2005 were applied. As a result, minority interests in consolidated subsidiaries which were previously disclosed between liabilities and net assets are disclosed as a line item in net assets at the end of March 31, 2007.

If the previous accounting policy were to be applied, shareholders' equity as of March 31, 2007 was ¥160,793 million.

⑤Accounting standard for share-based payment

Effective from the year ended March 31, 2007, "Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Statement No.8) issued on December 27, 2005 and "Guidance on Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Guidance No.11) issued on May 31, 2006 were applied.

As a result, operating income, ordinary income and income before income taxes and minority interest for the year ended March 31, 2007 decreased by ¥16 million.

5 Inventories

Inventories as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Finished products	¥5,130	¥5,101	\$51
Work in progress	7,028	4,974	70
Raw materials and supplies	17,024	16,662	170

6 Investments in affiliates

Investments in affiliates as of March 31, 2008 and 2007 were included in the following accounts:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Investments in securities (stocks)	¥4,458	¥7,174	\$44
Other investments	3,307	1,350	33

7 Assets pledged as collateral

Assets pledged as collateral and liabilities with collateral pledged as of March 31, 2008 and 2007 were as follows:

(a) Assets pledged as collateral

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Land	¥940	¥940	\$9
Buildings and structures	631	700	6
Tools, furniture and fixtures	0	0	0
Total	¥1,571	¥1,640	\$15

(b) Liabilities with collateral pledged

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Guarantee deposits received	¥910	¥975	\$9

8 Contingent liabilities

Contingent liabilities as of March 31, 2008 and 2007 were as follows. These are all guarantees of bank loans:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
TBMECA Poland Sp. Zo.o	¥403	¥465	\$4
ECO Technology, Inc.	—	107	—
Total	¥403	¥572	\$4

9 Trade notes mature on the consolidated closing date

Trade notes to be matured on the consolidated closing date are settled on the pertinent clearing dates. Because March 31, 2007 was a bank holiday, the following matured notes are included in the amount outstanding as of the consolidated closing date.

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Notes receivable	—	¥1,417	—

10 R&D expenses

Anticipating the greater sophistication and diversification of customers' needs, the Companies devote resources in order to reinforce research and development (R&D) based on the concept of "developing products that will earn the trust and satisfaction of customers." Particularly, in June 2007, for the purpose of enhancement, the Companies consolidated departments and divisions engaging in advanced development and established the Advanced Technology Development Center (Biotechnology Development Div., Advanced Engineering Development Div. and R&D Laboratories). This system enables the Company to develop new technology and products for the next generation.

Research and Development expenses included in general and administrative expenses and manufacturing costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
R&D expenses	¥31,717	¥26,404	\$317

11 Detail of changes in net assets

(a) Class and number of shares issued for the year ended March 31, 2008 are as follows:

	Thousands of shares			
	As of March 31, 2007	Increase	Decrease	As of March 31, 2008
Shares issued				
Common stock	187,666	—	—	187,666
Total	187,666	—	—	187,666

(b) Class and number of treasury stock for the year ended March 31, 2008 are as follows:

	Thousands of shares			
	As of March 31, 2007	Increase	Decrease	As of March 31, 2008
Treasury stock				
Common stock	380	491	42	829
Total	380	491	42	829

Notes: 1. Increase in treasury stock (491 thousands of shares) is due to market buying (489 thousands of shares) and purchasing of fractional shares (2 thousands of shares).

2. Decrease in treasury stock (42 thousands of shares) is due to exercise of stock options (42 thousands of shares) and selling of fractional shares (0 thousands of shares).

(c) Detail of share acquisition right for the year ended March 31, 2008 is as follows:

Classification	Millions of yen		Millions of U.S. dollars
	Detail of share acquisition right	Balance as of March 31, 2008	Balance as of March 31, 2008
The company	Stock options	¥156	\$2

(d) Detail of cash dividend for the year ended March 31, 2008 is as follows:

Amount of cash dividend							
Decision	Class of shares	Total cash dividend (millions of yen)	Total cash dividend (millions of U.S. dollars)	Cash dividend per share (yen)	Cash dividend per share (U.S. dollars)	Record date	Effective date
General shareholders' meeting on June 21, 2007	Common stock	¥2,809	\$28	¥15	\$0.15	March 31, 2007	June 22, 2007
Board of directors' meeting on October 31, 2007	Common stock	2,802	28	15	0.15	September 30, 2007	November 26, 2007

Cash dividend which record date is in the year ended March 31, 2008, but its effective date is in the year ended March 31, 2009 is as follows:

Decision	Class of shares	Total cash dividend (millions of yen)	Total cash dividend (millions of U.S. dollars)	Resource of cash dividend	Cash dividend per share (yen)	Cash dividend per share (U.S. dollars)	Record date	Effective date
General shareholders meeting on June 20, 2008	Common stock	¥3,737	\$37	Retained earnings	¥20	\$0.20	March 31, 2008	June 23, 2008

(e) Class and number of shares issued for the year ended March 31, 2007 are as follows:

	Thousands of shares			
	As of March 31, 2006	Increase	Decrease	As of March 31, 2007
Shares issued				
Common stock	187,666	—	—	187,666
Total	187,666	—	—	187,666

(f) Class and number of treasury stock for the year ended March 31, 2007 are as follows:

	Thousands of shares			
	As of March 31, 2006	Increase	Decrease	As of March 31, 2007
Treasury stock				
Common stock	328	129	77	380
Total	328	129	77	380

Notes: 1. Increase in treasury stock (129 thousands of shares) is due to market buying (128 thousands of shares) and purchasing of fractional shares (1 thousands of shares).

2. Decrease in treasury stock (77 thousands of shares) is due to exercise of stock options (56 thousands of shares) and stock exchange (21 thousands of shares) and selling of fractional shares (0 thousands of shares).

(g) Detail of share acquisition right for the year ended March 31, 2007 is as follows:

Classification	Millions of yen	
	Detail of share acquisition right	Balance as of March 31, 2007
The company	Stock options	¥16

(h) Detail of cash dividend for the year ended March 31, 2007 is as follows:

Amount of cash dividend					
Decision	Class of shares	Total cash dividend (millions of yen)	Cash dividend per share (yen)	Record date	Effective date
General shareholders' meeting on June 22, 2006	Common stock	¥1,686	¥9	March 31, 2006	June 23, 2006
Board of directors' meeting on October 31, 2006	Common stock	1,685	9	September 30, 2006	November 27, 2006

Cash dividend which record date is in the year ended March 31, 2007, but its effective date is in the year ended March 31, 2008 is as follows:

Decision	Class of shares	Total cash dividend (millions of yen)	Resource of cash dividend	Cash dividend per share (yen)	Record date	Effective date
General shareholders' meeting on June 21, 2007	Common stock	¥2,809	Retained earnings	¥15	March 31, 2007	June 22, 2007

12 Statement of cash flow

Assets and liabilities at the date of consolidation of the companies that became subsidiaries through stock acquisition for the year ended March 31, 2008, are as follows.

TOYOTA BOSHOKU GATEWAY (THAILAND) CO., LTD.

	Millions of yen	Millions of U.S. dollars
Current assets	¥3,281	\$33
Fixed assets	2,001	20
Total assets	5,282	53
Current liabilities	1,866	19
Long-term liabilities	43	0
Total liabilities	1,909	19

	Millions of yen	Millions of U.S. dollars
Co-werk Co., Ltd.		
Current assets	¥4,749	\$47
Fixed assets	1,077	11
Total assets	5,826	58
Current liabilities	5,099	51
Long-term liabilities	43	0
Total liabilities	5,142	51

13 Leases

The finance leases (as lessee), other than those for which ownership of the related goods is considered to have been transferred to the lessee, were as follows:

① Finance leases

(a) Equivalent amounts of acquisition cost, accumulated depreciation and the net balance of the leased properties at the end of the fiscal year

	Millions of yen		
Leased properties for the year ended March 31, 2008	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Acquisition cost equivalent	¥213	¥238	¥451
Accumulated depreciation equivalent	132	197	329
Net balance equivalent	¥81	¥41	¥122

Note: Acquisition cost equivalents include the imputed interest expense portion because the percentage which is computed by dividing future minimum base payments by total balance of property, plant and equipment at year-end is immaterial.

	Millions of U.S. dollars		
Leased properties for the year ended March 31, 2008	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Acquisition cost equivalent	\$2	\$2	\$4
Accumulated depreciation equivalent	1	2	3
Net balance equivalent	\$1	\$0	\$1

	Millions of yen		
Leased properties for the year ended March 31, 2007	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total
Acquisition cost equivalent	¥125	¥301	¥426
Accumulated depreciation equivalent	86	211	297
Net balance equivalent	¥39	¥90	¥129

Note: Acquisition cost equivalents include the imputed interest expense portion because the percentage which is computed by dividing future minimum base payments by total balance of property, plant and equipment at year-end is immaterial.

(b) Future leases payments at the end of the fiscal year

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Due within 1 year	¥58	¥72	\$0
Due after 1 year	64	56	1
Total	¥122	¥128	\$1

Note: Future leases payments include the imputed interest expense portion because the percentage which is computed by dividing future minimum base payments by total balance of property, plant and equipment at year-end is immaterial.

(c) Actual leases payments and depreciation expenses equivalent

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Actual leases payments	¥84	¥94	\$1
Depreciation expenses equivalent	84	94	1

(d) Calculation method for the depreciation equivalent

A straight-line depreciation method is applied, setting the lease term as the useful life of the asset and assuming a zero residual value.

② Operating lease transactions

	Millions of yen		Millions of U.S. dollars
Future leases payments	2008	2007	2008
Due within 1 year	¥178	¥271	\$2
Due after 1 year	430	658	4
Total	¥608	¥929	\$6

14 Marketable securities

(a) Companies did not have trading securities as of March 31, 2008 and 2007.

(b) Held-to-maturity securities with a readily determinable fair value as of March 31, 2008 and 2007 were as follows:

Securities with fair value exceeding carrying amount

	Millions of yen		
	Carrying amount	Fair market value	Difference
Government bonds as of March 31, 2008	¥5	¥5	¥0
Government bonds as of March 31, 2007	—	—	—

	Millions of U.S. dollars		
	Carrying amount	Fair market value	Difference
Government bonds as of March 31, 2008	\$0	\$0	\$0

Securities with fair value not exceeding carrying amount

	Millions of yen		
	Carrying amount	Fair market value	Difference
Government bonds as of March 31, 2008	—	—	—
Government bonds as of March 31, 2007	¥5	¥5	¥ (0)

	Millions of U.S. dollars		
	Carrying amount	Fair market value	Difference
Government bonds as of March 31, 2008	—	—	—

(c) Other securities with a readily determinable fair value as of March 31, 2008 and 2007 were as follows:

① Securities with carrying amounts exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2008	¥404	¥2,291	¥1,886
Stocks as of March 31, 2007	397	3,414	3,017

	Millions of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2008	\$4	\$23	\$19

② Securities with carrying amounts not exceeding acquisition cost

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2008	¥21	¥21	—
Stocks as of March 31, 2007	31	23	(8)

	Millions of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Stocks as of March 31, 2008	\$0	\$0	—

③ Sale of other securities during the period

For the year ended March 31, 2008, the total amount of gain or loss on the sale is not stated as it is insignificant.

For the year ended March 31, 2007, there is no applicable item.

(d) Other securities without a readily determinable fair value as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Certificate of deposit	¥21,000	—	\$210
Unlisted stocks	2,249	2,232	22
Other	1,886	10,574	19

(e) Redemption schedule of other securities and held-to-maturity securities as of March 31, 2008 and 2007 were as follows:

	Millions of yen			
	Due within 1 year	Due after 1 year Due within 5 years	Due after 5 years Due within 10 years	Due after 10 years
Government bonds as of March 31, 2008	¥5	—	—	—
Government bonds as of March 31, 2007	—	5	—	—

	Millions of U.S. dollars			
	Due within 1 year	Due after 1 year Due within 5 years	Due after 5 years Due within 10 years	Due after 10 years
Government bonds as of March 31, 2008	\$0	—	—	—

15 Derivatives

Forward exchange contract and cross-currency swaps are applied to assets and liabilities denominated in foreign currencies for avoiding perspective risk of exchange fluctuation. For the year ended March 31, 2008, interest rate swaps are applied to borrowings to reduce the risk of fluctuation in interest rate.

Companies undertake derivative transactions limited to amounts of the hedged receivables and payables only to reduce risks associated with assets and liabilities that are exposed to market rate fluctuations. Companies do not intend to undertake derivatives transactions for trading or speculative purposes.

Derivative transactions involve the risk of fluctuation in exchange rates and interest rates. Due to the fact that counterparties to Companies represent major financial institutions which have high creditworthiness, Companies believe that the overall credit risk related to its financial instruments is insignificant.

Companies' derivatives activities are implemented and reported periodically to a director responsible for accounting according to Companies' internal rules.

Derivatives as of March 31, 2008 and 2007 were as follows:

Instruments	Millions of yen				Millions of yen				Millions of U.S. dollars			
	2008				2007				2008			
	Contract of amount	Contract of amount due after 1 year	Fair Value	Valuation gain(loss)	Contract of amount	Contract of amount due after 1 year	Fair Value	Valuation gain(loss)	Contract of amount	Contract of amount due after 1 year	Fair Value	Valuation gain(loss)
Forward exchange contracts												
Buy												
Mexico Peso	¥2,166	¥180	¥2,209	¥43	¥5,127	¥2,552	¥5,104	¥(23)	\$22	\$2	\$22	\$0
Cross- currency swaps												
Receipt U.S. Dollars												
Payment Yen	7,083	3,616	973	973	7,318	7,083	(125)	(125)	70	36	10	10
Cross- currency swaps												
Receipt U.S. Dollars												
Payment Thai Baht	553	—	(59)	(59)	—	—	—	—	6	—	(1)	(1)
Total	¥9,802	¥3,796	¥3,123	¥957	¥12,445	¥9,635	¥4,979	¥(148)	\$98	\$38	\$31	\$9

Notes:1. The fair values are based on the rate presented by our financial institutions.

2. Derivatives for which hedge accounting is applied are excluded from this disclosure. Since hedge accounting is applied, issues related to interest rates are not presents.

16 Allowance for employee retirement benefits

(a) Overview of the retirement benefit system adopted by the Company

The Company and its domestic subsidiaries maintain a tax qualified pension plan and a lump-sum retirement benefit plan as its defined benefit plan. Certain foreign subsidiaries maintain defined contribution pension plans.

(b) Projected benefit obligations as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥52,093	¥50,411	\$520
Fair value of pension plan assets at end of year	(23,994)	(24,775)	(240)
Sub-total	28,099	25,636	280
Unrecognized actuarial loss	(6,755)	(4,193)	(67)
Unrecognized past service cost	(1,490)	(1,584)	(15)
Prepaid pension cost	184	149	2
Liability recognized on the consolidated balance sheets	¥20,038	¥20,008	\$200

Certain subsidiaries use the simplified method to calculate projected benefit obligations.

(c) Component of net periodic retirement benefit expenses for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Service cost	¥3,131	¥3,064	\$31
Interest cost	985	959	10
Expected return on pension plan assets	(494)	(453)	(5)
Recognized actuarial loss	409	439	4
Amortization of past service cost	94	94	1
Net periodic retirement benefit expenses	¥4,125	¥4,103	\$41

The retirement benefit expenses of subsidiaries for which the simplified method was used were included in service cost.

(d) Basis of calculation for projected benefits obligation for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected return on pension plan assets	2.0%	2.0%
Amortization period of unrecognized actuarial gain or loss	15-17 years	15-17 years
Amortization period of past service cost	15-17 years	15-17 years

17 Stock-based compensation**(a) Expenses for stock options recorded in the following accounts for the year ended March 31, 2008 and 2007 were as follows.**

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Cost of sales	¥40	¥3	\$0
Selling, general and administrative expenses	99	13	1

(b) About the outstanding stock options.

Information for the year ended March 31, 2008 is as follows:

Detail of stock options	2008	2007	2005	2004
Number of grantee	Directors 15 Officers 20 Key employees 106 Common stock	Directors 16 Managing officers, officers 26 Common stock	Directors 17 Key employees 7 Common stock	Directors 19 Key employees 6 Common stock
Class of shares	489,000	295,000	156,000	163,000
Number of shares granted	August 1, 2007	August 1, 2006	August 2, 2004	August 1, 2003
Grant date	2 years	2 years	1 year and 11 months	1 year and 11 months
Service period	(August 1, 2007 - July 31, 2009)	(August 1, 2006 - July 31, 2008)	(August 2, 2004 - June 30, 2006)	(August 1, 2003 - June 30, 2005)
Exercise period	August 1, 2009 - July 31, 2013	August 1, 2008 - July 31, 2012	July 1, 2006 - June 30, 2011	July 1, 2005 - June 30, 2010

Conditions for vesting of stock options:

- For 2005 and 2004, grantee is required to be a director or officer or employee at the exercise date. For 2007, grantee is required to be director or managing officer, officer, employee at the exercise date. For 2008, grantee is required to be director or officer, employee at the exercise date.
But if there are right reasons, for example, resignation for full-term, retirement, employment transfer, or other acceptable reasons, these cases shall be reasonably judged according to "Contract for appropriation of share acquisition right".
- Other conditions for vesting stock options shall be determined according to "Contract for appropriation of share acquisition right" which is agreed between grantee and the Company, based on the decision of General shareholders' meeting and Board of directors' meeting for the appropriation of "share acquisition rights".

Number of stock options	2008	2007	2005	2004
Non-vested stock options				
Stock options outstanding at the year ended March 31, 2007	—	295,000	—	—
Granted	489,000	—	—	—
Forfeited	—	—	—	—
Vested	—	—	—	—
Stock options outstanding at the year ended March 31, 2008	489,000	295,000	—	—
Vested stock options				
Stock options outstanding at the year ended March 31, 2007	—	—	64,200	5,000
Vested	—	—	—	—
Exercised	—	—	41,900	—
Forfeited	—	—	—	—
Stock options outstanding at the year ended March 31, 2008	—	—	22,300	5,000

	yen				U.S. dollars
	2008	2007	2005	2004	2008
Price of stock options					
Exercise price	¥3,200	¥1,725	¥2,021	¥595	\$31.94
Average market-price of the stock at the time of exercise	—	—	3,313	—	—
Fair value per option as of grant date	720	163	—	—	7.19

Information for the year ended March 31, 2007 is as follows:

Detail of stock options	2007	2005	2004
Number of grantee	Directors 16 Managing officers, officers 26	Directors 17 Key employees 7	Directors 19 Key employees 6
Class of shares	Common stock	Common stock	Common stock
Number of shares granted	295,000	156,000	163,000
Grant date	August 1, 2006	August 2, 2004	August 1, 2003
Service period	2 years (August 1, 2006 - July 31, 2008)	1 year and 11 months (August 2, 2004 - June 30, 2006)	1 year and 11 months (August 1, 2003 - June 30, 2005)
Exercise period	August 1, 2008- July 31, 2012	July 1, 2006- June 30, 2011	July 1, 2005- June 30, 2010

Conditions for vesting of stock options:

- For 2005 and 2004, grantee is required to be a director or officer or employee at the exercise date. For 2007, grantee is required to be director or managing officer, officer, employee at the exercise date. But if there are right reasons, for example, resignation for full-term, retirement, employment transfer, or other acceptable reasons, these cases shall be reasonably judged according to "Contract for appropriation of share acquisition right".
- Other conditions for vesting stock options shall be determined according to "Contract for appropriation of share acquisition right" which is agreed between grantee and the Company, based on the decision of General shareholders' meeting and Board of directors' meeting for the appropriation of "share acquisition rights".

Number of stock options	2007	2005	2004
Non-vested stock options			
Stock options outstanding at the year ended March 31, 2006	—	156,000	—
Granted	295,000	—	—
Forfeited	—	36,000	—
Vested	—	120,000	—
Stock options outstanding at the year ended March 31, 2007	295,000	—	—
Vested stock options			
Stock options outstanding at the year ended March 31, 2006	—	—	5,000
Vested	—	120,000	—
Exercised	—	55,800	—
Forfeited	—	—	—
Stock options outstanding at the year ended March 31, 2007	—	64,200	5,000

	yen		
Price of stock options	2007	2005	2004
Exercise price	¥1,725	¥2,021	¥595
Average market-price of the stock at the time of exercise	—	2,624	—
Fair value per option as of grant date	163	—	—

(c) Estimation method for fair value per stock options

The fair value of options granted is estimated using Black-Scholes option pricing model.

Basic indicators and estimation method are as follows:

	yen		U.S. dollars
	2008	2007	2008
Expected volatility	29%	13%	—
Expected holding period	4 years	4 years	—
Expected dividend	¥24/share	¥16/share	\$ 0.24/share
Risk-free interest rate	1.21%	1.22%	—

Notes: 1. Estimation for the year ended March 31, 2008 was based on the data for 2 years and 10 months (from October, 2004 to July 2007) and estimation for the year ended March 31, 2007 was based on the data for 1 year and 10 months (from October, 2004 to July, 2006), since the company merged with Araco Corporation (automotive interior division) and Takanichi Co., Ltd., in October, 2004.

2. Expected holding period is estimated that options expect to be exercised at the middle point of the exercised period since there are difficulties in making a reasonable estimation due to a lack of enough data accumulation.

3. Expected dividend for the year ended March 31, 2008 is estimated from the dividend for the year ended March 31, 2007, and the year ended March 31, 2007 is estimated from the dividend for the year ended March 31, 2006.

4. Risk-free interest rate is calculated from the yield of 4-year government bonds.

(d) Estimation method for the number of stock options vested

Because of the difficulty in rationally estimating the number of expired rights in the future, basically the actual past expirations are reflected to the estimation.

18 Deferred income taxes

(a) Summary of the components of deferred income taxes

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Accrued bonus	¥3,236	¥2,810	\$32
Accrued expenses	1,219	916	12
Enterprise taxes payable	534	567	5
Allowance for product warranties	773	833	8
Depreciation	4,286	3,865	43
Intangible assets	1,210	626	12
Allowance for employee retirement benefits	7,866	7,877	79
Allowance for retirement benefits for directors and corporate auditors	302	288	3
Net operating loss carryforward	2,386	1,194	24
Loss on impairment of securities	267	276	3
Impairment of fixed assets	258	256	3
Elimination of profits among consolidated companies	605	599	6
Others	1,626	2,519	16
Deferred tax assets sub-total	24,568	22,626	246
Valuation allowance	(1,663)	(2,466)	(17)
Total deferred tax assets	22,905	20,160	229
Special depreciation of acquired assets	609	640	6
Unrealized gain on other securities	630	1,081	6
Special depreciation reserve	375	668	4
Others	995	874	10
Total deferred tax liabilities	2,609	3,263	26
Net deferred tax assets	¥20,296	¥16,897	\$203

Net deferred tax assets are included in the consolidated balance sheet as of March 31, 2008 and 2007 as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Current assets – deferred tax assets	¥6,503	¥5,617	\$65
Investments and other assets – deferred tax assets	15,022	11,890	150
Current liabilities – other current liabilities	503	235	5
Long-term liabilities – other long-term liabilities	726	375	7

(b) Reconciliation of the difference between the statutory income tax rate and the effective income tax rate

	2008	2007
Statutory income tax rate	39.9%	39.9%
(Adjustment)		
Difference of tax rates on foreign subsidiaries	(15.6)	(8.0)
Tax credit of R&D expenses	(2.0)	(2.6)
Foreign tax credit	(1.2)	—
Equity earnings of affiliates	(1.1)	(1.6)
Others	0.9	1.9
Effective income tax rate	20.9%	29.6%

19 Segment information

(a) Business segments

Companies business is primarily the manufacture and sale of automotive parts. Since automotive parts make up over 90% of total sales, operating income and assets in all segments, information of business segment is not presented.

(b) Geographical segments

			Millions of yen		Millions of U.S. dollars
			2008	2007	2008
Net sales	Japan	Customers	¥718,288	¥655,486	\$7,170
		Inter-segment	31,003	26,128	309
		Total	749,291	681,614	7,479
	North, Central and South America	Customers	233,474	230,249	2,330
		Inter-segment	62	82	1
		Total	233,536	230,331	2,331
	Asia	Customers	212,228	145,995	2,119
		Inter-segment	9,744	6,844	97
		Total	221,972	152,839	2,216
	Others	Customers	69,799	51,026	696
		Inter-segment	580	0	6
		Total	70,379	51,026	702
	Eliminations		(41,389)	(33,054)	(414)
Consolidated			¥1,233,789	¥1,082,756	\$12,314
Operating costs and expenses	Japan		¥729,507	¥659,573	\$7,281
	North, Central and South America		225,819	217,647	2,254
	Asia		190,388	139,910	1,900
	Others		65,277	50,882	652
	Eliminations		(42,799)	(33,637)	(428)
	Consolidated		¥1,168,192	¥1,034,375	\$11,659
Operating income	Japan		¥19,784	¥22,042	\$197
	North, Central and South America		7,717	12,683	77
	Asia		31,584	12,929	315
	Others		5,102	144	51
	Eliminations		1,410	583	15
	Consolidated		¥65,597	¥48,381	\$655
Assets	Japan		¥272,640	¥267,028	\$2,721
	North, Central and South America		98,474	90,611	983
	Asia		119,938	88,672	1,197
	Others		34,579	31,609	345
	Eliminations		1,991	(13,172)	20
	Consolidated		¥527,622	¥464,748	\$5,266

Notes: 1. Classification of countries and regions is based on geographical proximity.

2. Primary countries and regions belonging to classifications other than Japan are as follows:

<2007> North, Central and South America: USA, Canada, Mexico, Argentina; Asia: China, Thailand, Vietnam, the Philippines, Indonesia, India; Others: Australia, Turkey, South Africa.

<2008> North, Central and South America: USA, Canada, Mexico, Argentina; Asia: China, Thailand, Vietnam, the Philippines, Indonesia, India;

Others: Australia, Turkey, Belgium, South Africa.

3. Corporate assets included in eliminations consist primarily of cash and cash equivalents, securities and investments in securities.

4. As set forth in the Changes in significant accounting policies, "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4) issued on November 29, 2005 by the Accounting Standards Board of Japan was applied in the year ended March 31, 2007. As a result of this change, Japanese operating expenses were ¥301 million higher and operating income lower by the same amount than if previous methods had been used for the year ended March 31, 2007.

5. As set forth in the Changes in significant accounting policies, "Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Statement No. 8) issued on December 27, 2005 and "Guidance on Accounting Standard for Share-based Payment" (Accounting Standards Board of Japan Guidance No. 11) issued on May 31, 2006 were applied in the year ended March 31, 2007. As a result of this change, Japanese operating expenses were ¥16 million higher and operating income lower by the same amount than if previous methods had been used for the year ended March 31, 2007.

6. As set forth in the Changes in significant accounting policies, effective from the year ended March 31, 2008, due to the revision of the Corporation Tax Law in Japan, a depreciation method prescribed in the revised Law is applied to property, plant and equipment that were acquired after April 1, 2007 by the Company and its domestic subsidiaries. As a result of this change, Japanese operating expenses were ¥1,424 million (\$14 million) higher and operating income lower by the same amount than if previous methods had been used for the year ended March 31, 2008.

7. As set forth in the Changes in significant accounting policies, previously income and expense accounts of overseas subsidiaries were translated at the prevailing exchange rates at fiscal year end of the subsidiaries. However, from the year ended March 31, 2008, the rate to be used is changed to the average exchange rate during the period.

As a result of this change, sales to external customers were ¥27,847 million (\$278 million) higher in North, Central and South America, ¥12,516 million (\$125 million) higher in Asia, and ¥5,809 million (\$58 million) higher in "Others," operating expenses were ¥26,928 million (\$269 million) higher in North, Central and South America, ¥11,165 million (\$111 million) higher in Asia, and ¥5,065 million (\$51 million) higher in "Others," and operating income was ¥919 million (\$9 million) higher in North, Central and South America, ¥1,794 million (\$18 million) higher in Asia, and ¥755 million (\$8 million) higher in "Others" than if previous methods had been used for the year ended March 31, 2008. This change, however, does not affect the Japan Segment.

(c) Overseas net sales by destination

		Millions of yen		Millions of U.S. dollars
		2008	2007	2008
Overseas net sales	North, Central and South America	¥236,701	¥233,549	\$2,363
	Asia	204,790	142,231	2,044
	Others	72,918	52,978	727
	Total	¥514,409	¥428,758	\$5,134
Total net sales	North, Central and South America	—	—	—
	Asia	—	—	—
	Others	—	—	—
	Total	¥1,233,789	¥1,082,756	\$12,314
Ratio of overseas net sales to total sales (%)	North, Central and South America	19.2%	21.6%	19.2%
	Asia	16.6%	13.1%	16.6%
	Others	5.9%	4.9%	5.9%
	Total	41.7%	39.6%	41.7%

Notes: 1. Classification of countries and regions is based on geographical proximity.

2. Primary countries and regions belonging to classifications other than Japan are as follows:

<2007> North, Central and South America: USA, Canada, Mexico, Argentina; Asia: China, Thailand; Others: Australia, Turkey, South Africa.

<2008> North, Central and South America: USA, Canada, Mexico, Argentina; Asia: China, Thailand; Others: Australia, Belgium, Turkey, South Africa.

3. Asia was included in the "Others" section for the year ended March 31, 2006. As Asian sales recorded over ten percent of the net sales for the year ended March 31, 2007, it is listed separately starting from the year ended March 31, 2007. Asian sales for the year ended March 31, 2006 were ¥73,184 million.

4. As set forth in the Changes in significant accounting policies, previously income and expense accounts of overseas subsidiaries were translated at the prevailing exchange rates at fiscal year end of the subsidiaries. However, from the year ended March 31, 2008, the rate to be used is changed to the average exchange rate during the period. As a result of this change, overseas net sales were ¥28,239 million (\$282 million) higher in North, Central and South America, ¥11,596 million (\$116 million) higher in Asia, and ¥5,995 million (\$60 million) higher in "Others."

5. Overseas net sales are attributed to region based on location of customers, excluding customers in Japan.

20 Related party transactions

The Company had transactions with Toyota Motor Corporation, which directly and indirectly held 39.6% shares of the Company as of March 31, 2008, during the years ended March 31, 2008 and 2007. The transactions between the companies for the years ended or as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars
For the years	2008	2007	2008
Sale of automotive parts	¥489,606	¥446,430	\$4,887
Purchase of parts	95,645	89,614	955

	Millions of yen		Millions of U.S. dollars
At year-end	2008	2007	2008
Accounts receivable	¥61,142	¥60,837	\$610
Accounts payable	17,438	17,904	174

The Company had transactions with Toyota Auto Body Co., Ltd., a subsidiary of Toyota Motor Corporation, during the years ended March 31, 2008 and 2007. The transactions between the companies for the years were as follows:

	Millions of yen		Millions of U.S. dollars
For the years	2008	2007	2008
Sale of automotive parts	¥85,646	¥79,110	\$855

	Millions of yen		Millions of U.S. dollars
At year-end	2008	2007	2008
Accounts receivable	¥14,142	¥11,398	\$141

The Company had transactions with Toyota Financial Services Securities Corporation, a subsidiary of Toyota Motor Corporation, during the years ended March 31, 2008 and 2007. The transactions between the companies for the years were as follows:

	Millions of yen		Millions of U.S. dollars
For the years	2008	2007	2008
Purchase of financial products	¥122,100	¥51,000	\$1,219
Sale of financial products	131,100	42,000	1,309

	Millions of yen		Millions of U.S. dollars
At year-end	2008	2007	2008
Cash and cash equivalents	—	¥9,000	—

The Company had transactions with company's board member Koichi Fukaya as chairman of Denso Corporation during the year ended March 31, 2008, and with company's board member Hiromu Okabe as chairman of Denso Corporation, during the year ended March 31, 2007. The transaction for the years were as follows:

	Millions of yen		Millions of U.S. dollars
For the years	2008	2007	2008
Sale of automotive parts	¥42,612	¥40,559	\$425

	Millions of yen		Millions of U.S. dollars
At year-end	2008	2007	2008
Accounts receivable	¥5,491	¥5,433	\$55

21 Information about per share

(a) Basis of calculation for net income per share and net income per share diluted are as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Net income per share			
Net income	¥40,720	¥30,105	\$406
Net income not attributable to common shareholders	—	—	—
Net income attributable to common shareholders	40,720	30,105	406
Weighted-average shares (thousands of shares)	186,995	187,272	—
Net income per share (exact yen, U.S. dollars amount)	217.76	160.76	2.17
Net income per share diluted			
Weighted-average shares for diluted computation (thousands of shares)	178	69	—
(Subscription rights to shares) (thousands of shares)	(178)	(69)	(—)
Net income per share diluted (exact yen, U.S. dollars amount)	217.55	160.70	2.17

Outline of diluted securities which were not included to the calculation of net income per share diluted since they did not have dilutive effect:

<2007> Stock options decided by General shareholders' meeting on June 24, 2004 (number of share acquisition right: 307 shares)

(b) Basis of calculation for net assets per share is as follows:

	Millions of yen		Millions of U.S. dollars
	2008	2007	2008
Total net assets	¥226,880	¥197,797	\$2,265
Amounts deducted from total net assets	40,523	36,945	405
(Subscription rights to shares)	(156)	(16)	(2)
(Minority interests in consolidated subsidiaries)	(40,367)	(36,929)	(403)
Net assets attributable to common shareholders	186,357	160,852	1,860
Number of common stocks as of the end of the fiscal year used for calculation of net assets per share (thousands of shares)	186,837	187,286	—
Net assets per share(exact yen, U.S. dollars amount)	997.43	858.86	9.96

22 Subsequent Event

On June 20, 2008, the following appropriations of retained earnings were approved at the General shareholders' meeting of the Company:

	Millions of yen	Millions of U.S. dollars
Total cash dividends	¥3,737	\$37

23 Borrowings

Borrowings as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Millions of U.S. dollars	Interest rate (%)	Repayment date
	2008	2007	2008	2008	2008
Short-term borrowings	¥18,726	¥22,663	\$187	6.01	—
Current portion of long-term debt	162	1,293	2	4.38	—
Current portion of lease obligation	—	—	—	—	—
Long-term debt (excluding current portion items)	37,020	6,215	369	1.36	2010—2018
Lease obligation (excluding current portion items)	—	—	—	—	—
Other liabilities with interest	—	—	—	—	—
Total	¥55,908	¥30,171	\$558	—	—

The interest rate is the weighted average of the interest rate and outstanding loans as of March 31, 2008.

As of March 31, 2008, annual maturities of long-term debt over the next five years are as follows:

	Millions of yen	Millions of U.S. dollars
Year ended March 31, 2010	¥704	\$7
Year ended March 31, 2011	464	5
Year ended March 31, 2012	—	—
Year ended March 31, 2013	35,000	349

Top Management

(As of June 20, 2008)

Executive Vice President
Hiro Yoshi OnoPresident
Shuhei ToyodaChairman
Tokuichi UranishiExecutive Vice President
Mitsuyuki NoguchiExecutive Vice President
Ritsuo Torii

(As of June 20, 2008)

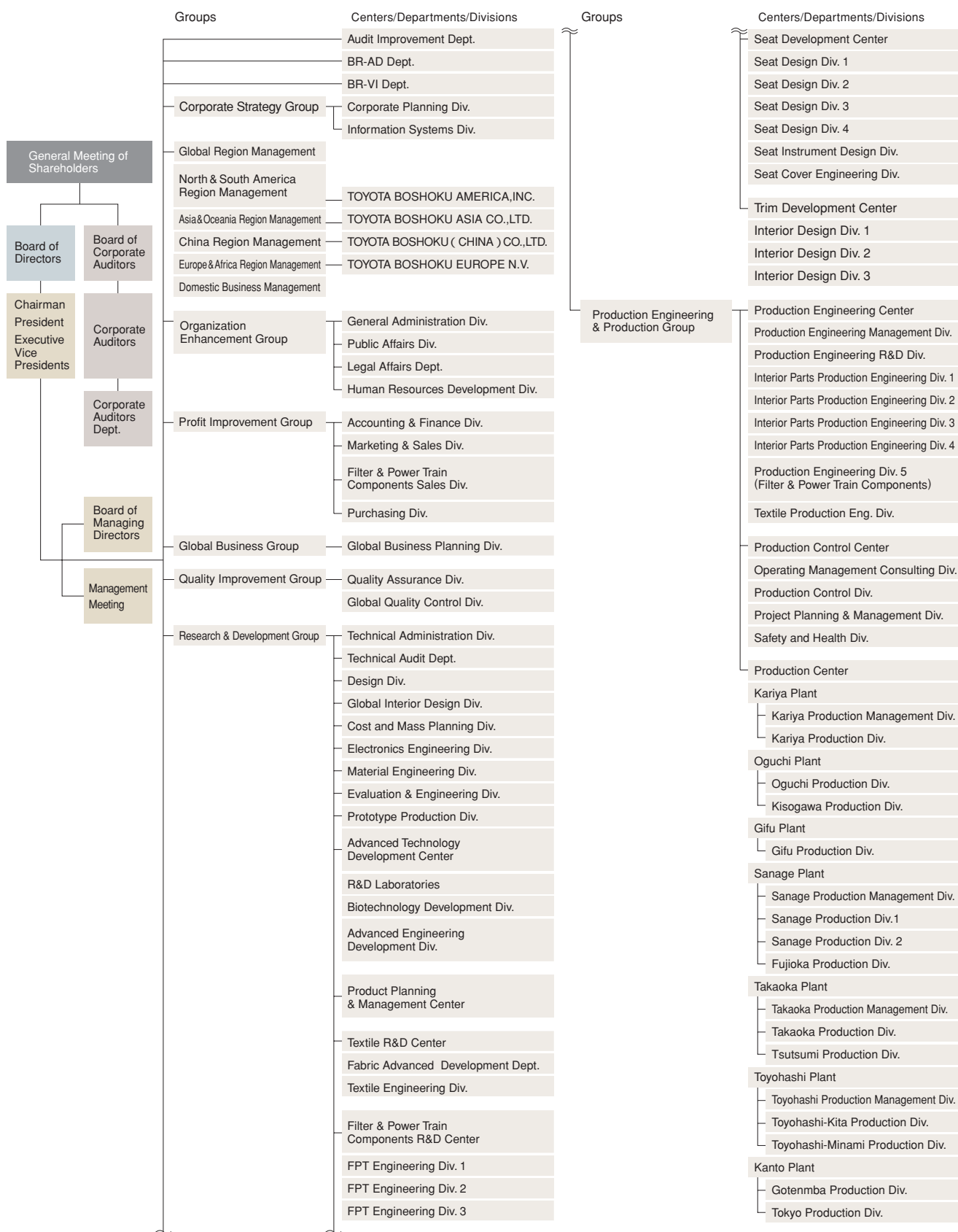
Directors and Auditors

Chairman	Tokuichi Uranishi
President	Shuhei Toyoda
Executive Vice Presidents	Mitsuyuki Noguchi Hiro Yoshi Ono Ritsuo Torii
Senior Managing Directors	Yasushi Nakagawa Hideo Kawakubo Tsuyoshi Kuriyamamoto
Managing Directors	Akira Furusawa Koichi Terasaka Koji Iida
Director (with Senior Managing Director Status)	Kiyoshi Furuta
Directors (with Managing Director Status)	Fumitaka Ito Masaki Katsuragi Kazunori Yamakawa Eiji Suzuki
Directors	Kazuo Okamoto Hiromi Tokuda
Standing Corporate Auditors	Kiyoshi Imaizumi Tadashi Naito
Corporate Auditors	Tadashi Ishikawa Akio Toyoda Ryuichi Hamada

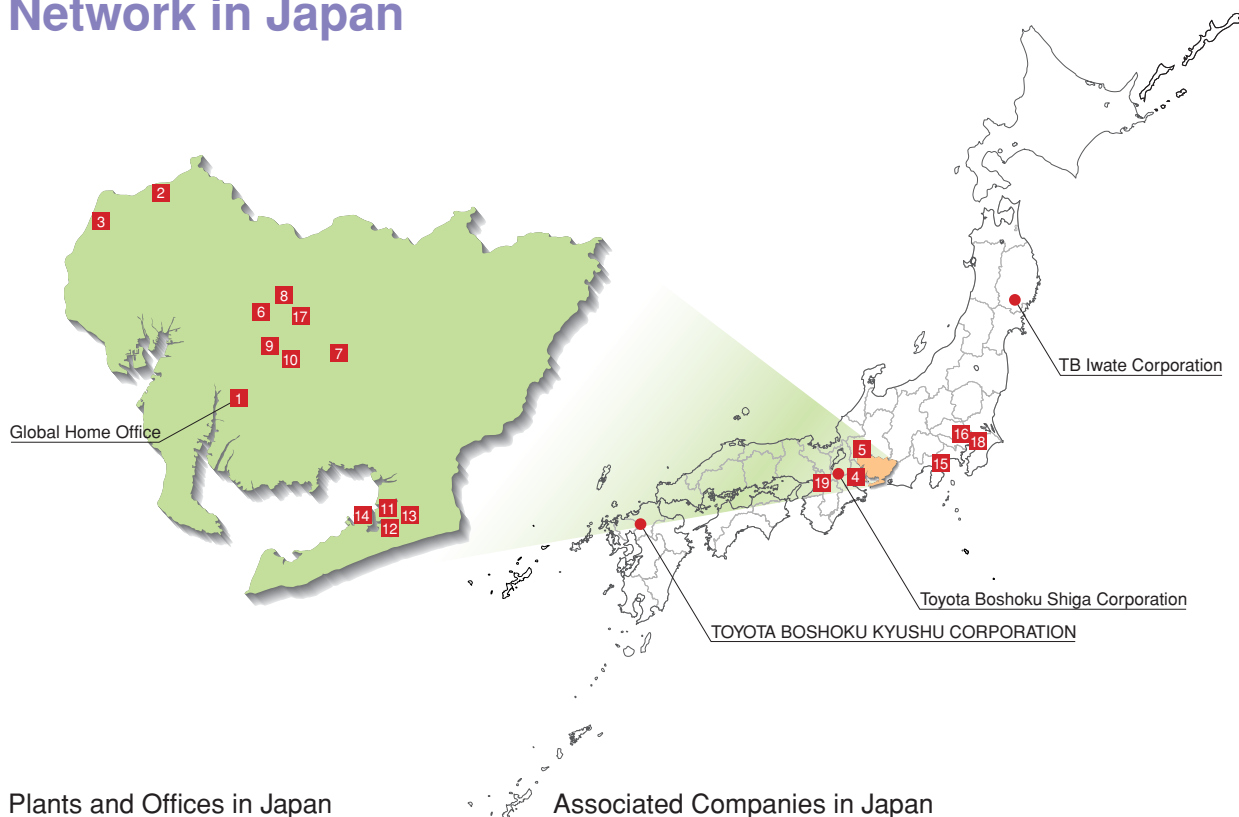
Managing Officers and Officers

Managing Officers	Toshimitsu Watanabe Yasunobu Hara Katashi Sakai Toru Miyata Hiroshi Ueda Takumi Shimizu Kenichi Noda
Officers	Sunao Yamamoto Shigetoshi Miyoshi Haruo Fujimon Yasuhiko Sugie Makoto Ooshima Yoshihiro Yamada Takamichi Taki Kouhei Hori Atsushi Toyoshima Tokuji Yamauchi Hisashi Mori Yasushi Yoshikawa Suguru Sakakibara

Corporate Organization (As of June 20, 2008)



Network in Japan



Plants and Offices in Japan

Base	Products
Global Home Office	
Kariya Plant	Air filters, oil filters, cabin air filters, revolving sensors, ABS coils and other products
Oguchi Plant	Molded headliners, seat fabrics, silencers, blended yarns, airbag base fabrics, fender liners, etc.
Kisogawa Plant	Straps
Inabe Plant	Interior components
Gifu Plant	Bumpers
Sanage Plant	Seats, door trims and other interior components
Shimoyama Plant	Seat covers
Fujioka Plant	Door trims
Takaoka Plant	Seats and door trims
Tsutsumi Plant	Floor carpets and other interior components
Toyohashi-Kita Plant	Seats
Toyohashi-Minami Plant	Door trims and seat covers
Toyohashi-Higashi Plant	Floor carpets
Tahara Plant	Interior components
Gotemba Plant	Seats and door trims
Tokyo Plant	Door trims
Tsuchihashi Plant	
Tokyo Marketing Office	
Osaka Marketing Office	

Associated Companies in Japan

Subsidiaries (Including sub-subsidiaries)

Manufacturing Companies

KYOEI ARACO Co., Ltd. Manufacture and sales of seats and seat covers

CO WERK CO., LTD Manufacture and sales of auto interior components

TB Iwate Corporation Manufacture and sales of auto components

TOYOTA BOSHOKU KYUSHU CORPORATION
Manufacture and sales of seats, door trims and other interior components

Toyota Boshoku Shiga Corporation
Manufacture and sales of filters, power train components, and interior/exterior components

FAMIC Corporation Manufacture and sales of seat covers and other interior components

ARACO KYUSHU OUCHI CORPORATION Manufacture and sales of seat covers

Others

Takatech Co., Ltd
Manufacture and sales of machinery and equipment of interior components

TB Engineering Corporation
Manpower dispatching of design technicians and subcontracting technical development

TB CREATE STAFF CORPORATION General labor dispatch service

TB CORPORATE SERVICE CORPORATION
Stationery and materials sales, security and meals services

TB TECHNOGREEN CORPORATION
Manufacture and sales of tree planting equipment, building and facility design and construction, etc.

TB High-Tech Corporation Manufacture and sales of dies machine tools

TB LOGISTICS SERVICE CORPORATION Transport, cargo handling and warehousing services

TECHNICAL LINKS DESIGN CO., LTD Product design, visual design, etc.

TOYOTA BOSHOKU UNIFORM CORPORATION Planning and sales of uniforms

Affiliates

KANTO SEAT WORKS, LTD Manufacture and sales of interior components

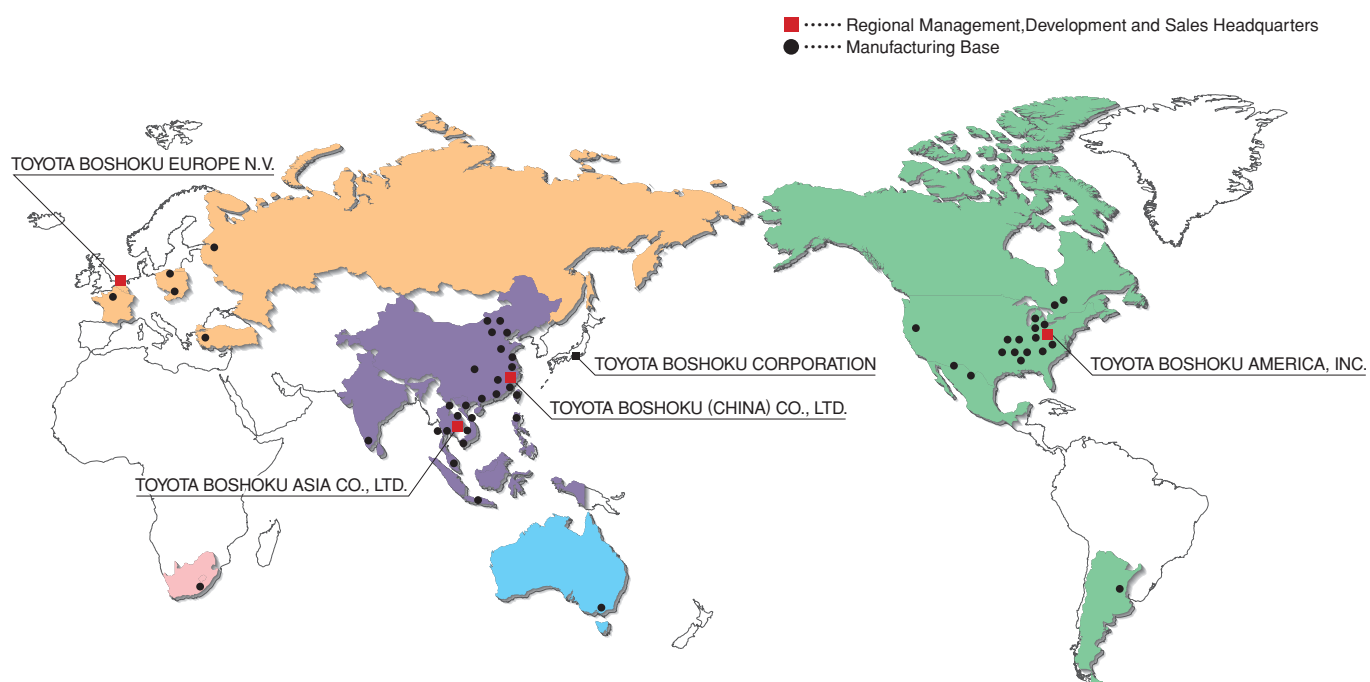
KANTO SEAT KITAKAMI CO., LTD Manufacture and sales of interior components

TOYOTA BODY SEIKO CO., LTD. Manufacture and sales of auto components

NARUCO CORPORATION Manufacture and sales of auto components

High Need Industry Co., Ltd. Manufacture and sales of interior / exterior materials

Overseas Network



Worldwide Affiliates

North America	Company	Established	Item Produced or function
America	TOYOTA BOSHOKU AMERICA, INC.	May 2001	North/Central/South America region governance Development, design and sales of seats and interior components
	ARJ MANUFACTURING, L.L.C.	June 2001	Manufacture and sales of metal components for seats
	TBDN TENNESSEE COMPANY	September 1989	Manufacture and sales of filters and power train components
	Total Interior Systems-America, LLC	November 2000	Manufacture and sales of seats and door trims
	TOYOTA BOSHOKU INDIANA, LLC.	October 2007	Manufacture and sales of seat frames and seat urethane foams
	TOYOTA BOSHOKU MANUFACTURING KENTUCKY LLC.	April 2003	Manufacture and sales of molded headliners, door trim ornaments and silencers
	TOYOTA BOSHOKU MISSISSIPPI, LLC.	August 2007	Manufacture and sales of seats and interior components
	TRIM MASTERS INC.	September 1987	Manufacture and sales of seats and door trims
Canada	Toyota Boshoku Canada, Inc.	July 2006	Manufacture and sales of seats and interior components
Central and South America	Company	Established	Item Produced or function
Mexico	TB DE MEXICO, S.A. DE C.V.	February 2002	Manufacture and sales of seats and seat covers
Argentina	Master Trim de Argentina S.R.L.	July 2003	Manufacture and sales of seats and interior components
Asia	Company	Established	Item Produced or function
China	TOYOTA BOSHOKU(CHINA) CO.,LTD.	March 2002	China region governance Development, design and sales of seats and interior components
	SHANGHAI TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD.	September 2001	Manufacture and sales of seat belt webbings and interior components
	CHENGDU TOYOTA BOSHOKU AUTOMOTIVE PARTS Co., Ltd.	March 1999	Manufacture and sales of seats and interior components
	Feng'ai(Guangzhou) Automotive Seat Parts Co.,Ltd.	September 2004	Manufacture and sales of metal components for seats
	Guangzhou Intex Auto Parts Co.,Ltd.	September 2004	Manufacture and sales of seats and interior components
	KUNSHAN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD.	March 1995	Manufacture and sales of door trims and interior components

Asia	Company	Established	Item Produced or function
China	Ningbo ARACO Co.,Ltd.	May 2002	Manufacture and sales of seat covers
	TOYOTA BOSHOKU NINGBO CO.,LTD.	July 2004	Manufacture and sales of seat fabrics and floor mats
	Tianjin Feng'ai Automotive Seat Parts Co.,Ltd.	November 2005	Manufacture and sales of metal components for seats
	Tianjin Intex Auto Parts Co.,Ltd.	April 2003	Manufacture and sales of seats and interior components
	TIANJIN KAHOU AUTOMOBILE DECORATION CO.,LTD.	October 1995	Manufacture and sales of seats and interior components
	TIANJIN TOYOTA BOSHOKU AUTOMOTIVE PARTS CO.,LTD.	June 2004	Manufacture and sales of filters and power train components
	TOYOTA BOSHOKU FOSHAN Co.,Ltd.	April 2005	Manufacture and sales of filters and power train components
India	TOYOTA BOSHOKU AUTOMOTIVE INDIA PRIVATE LIMITED	July 1998	Manufacture and sales of seats and interior components
Indonesia	PT. ABADI BARINDO AUTOTECH	March 1988	Manufacture and sales of seats and interior components
Malaysia	TOYOTA BOSHOKU UMW SDN.BHD.	August 2003	Manufacture and sales of seats and interior components
Philippines	TOYOTA BOSHOKU PHILIPPINES CORPORATION	March 1996	Manufacture and sales of seats and interior components
Taiwan	SHIN SAN SHING CO.,LTD.	April 1987	Manufacture and sales of seats and interior components
Thailand	TOYOTA BOSHOKU ASIA CO.,LTD.	June 2001	Asia and Oceania region governance Development, design and sales of seats and interior components, sales of filters and power train components
	ARST(Thailand)Co.,Ltd.	September 2002	Manufacture and sales of metal components for seats
	S.K. AUTO INTERIOR CO.,LTD.	January 1995	Manufacture and sales of interior components
	STB TEXTILES INDUSTRY CO.,LTD.	March 1995	Manufacture and sales of air cleaners, seat fabrics, etc.
	THAI SEAT BELT CO.,LTD.	May 1994	Manufacture and sales of seat belts and webbings
	TOYOTA BOSHOKU FILTRATION SYSTEM(THAILAND) CO.,LTD.	March 2002	Manufacture and sales of filters and power train components
	TOYOTA BOSHOKU GATEWAY(THAILAND) CO., LTD.	August 1997	Manufacture and sales of seats and door trims
Vietnam	TOYOTA BOSHOKU HAIPHONG CO.,LTD.	September 2004	Manufacture and sales of curtain-shield airbags
	TOYOTA BOSHOKU HANOI CO.,LTD.	August 1996	Manufacture and sales of seats and interior components
Europe	Company	Established	Item Produced or function
Belgium	TOYOTA BOSHOKU EUROPE N.V.	July 2005	Europe and Africa region governance Sales of seats and interior components
France	TOYOTA BOSHOKU FRANCE S.A.S.	January 2005	Manufacture and sales of service bumpers
Poland	TBMECA Poland Sp. z o.o.	October 2003	Manufacture and sales of filters and power train components
Russia	TOYOTA BOSHOKU LLC	April 2006	Manufacture and sales of seats
Slovakia	TRIM LEADER, a.s.	October 2000	Manufacture and sales of seat covers
Turkey	TOYOTA BOSHOKU TURKIYE OTOMOTIV SANAYI VE TICARET A.S.	October 1997	Manufacture and sales of seats and interior components
Africa	Company	Established	Item Produced or function
South Africa	TOYOTA BOSHOKU SOUTH AFRICA(PTY) LTD.	July 2005	Manufacture and sales of seats and interior components
Oceania	Company	Established	Item Produced or function
Australia	TOYOTA BOSHOKU AUSTRALIA PTY LTD	October 2002	Manufacture and sales of seats and interior components



TOYOTA BOSHOKU

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