

# TOYOTA BOSHOKU REPORT 2009

2008.4.1—2009.3.31





Chairman Tokuichi Uranishi

President Shuhei Toyoda



## Message from the Chairman and the President

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2008 marked a major milestone in the Toyota Boshoku group's history: ninety years since Sakichi Toyoda founded Toyota Boshoku Corporation in 1918.

2008 was also the year the automotive industry fell on hard times as a result of the global financial crisis. The Toyota Boshoku group's consolidated sales for the fiscal year ending March 2009 were down 20.6% on the previous year to 979.7 billion yen, due to reduced production and the appreciation of the yen. We did manage to post an ordinary income thanks to urgent profit-improvement measures, but even this was down 79.8% on the previous year to 13.2 billion yen.

When Sakichi Toyoda founded the company ninety years ago, he and the other predecessors were short of money and time, and faced a very trying situation. But they had wisdom, courage and tenacity. They also had a dream: contributing to society through craftsmanship. As the inheritors of that dream, it is our job to overcome the current adversity and create positive outcomes that can be handed down to successive generations.

The Toyota Boshoku group's vision is to become, by the middle of 2010, a truly global company that flourishes in each key region of the world as a top-tier global interior systems supplier and filter manufacturer. Indeed, we have designated 2010 to be the year of our "Second Founding", and we are working to solidify our business footing, institute forward-looking policies for future development and strengthen human resource development in order to survive and succeed in global competition.

Building on the basic philosophy of promoting corporate growth while fulfilling our responsibilities as a good corporate citizen, we are working hard to contribute to the achievement of a sustainable society with a focus on preventing global warming, cutting back on the use of environmentally hazardous substances and recycling resources. We also remain dedicated to earning the trust of all our stakeholders, and increasing corporate value.

We look forward to your continuing support and guidance in the future.

July 2009

Chairman

President

*T. Umei* *Shuhei Toyoda*



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## Policy of Editing

### ● Fundamental Policy

The Toyota Boshoku Report provides an easy-to-understand announcement of business activities, social responsibility and environmental reports, financial data, and other important information, including specific examples. Mostly, it covers our corporate activities done in fiscal 2008. Besides noting our efforts and accomplishments, this report contains as full an account as possible of our unmet objectives, including relevant factors and steps for the future. We have also endeavored to report the objectives for fiscal 2009 and for our medium and long term plans.

### ● Organization Covered in this Report

The information in this report applies to the Toyota Boshoku group (Toyota Boshoku Corporation and our subsidiaries and affiliates). However, it also includes some information that only refers to Toyota Boshoku Corporation.

### ● Scope of this Report

This report contains performance data from April 1, 2008 to March 31, 2009. Some material on previous or later activities is also included.

### ● Note on Past Published Reports

Until 2006, we annually published the "Annual Report" and "Environmental and Social Report." Since 2007, the "Toyota Boshoku Report" has been issued, combining both subjects.

### ● Publishing of Next Report

Plan to publish on September 2010.

### ● Publisher/Contact Information

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TEL: +81-566-26-0301 FAX: +81-566-26-0400  
<http://www.toyota-boshoku.co.jp/en>

### ■ Cautionary Statement with Respect to Forward-looking Statements

This Toyota Boshoku Report contains forecasts and expectations that relate to future plans and strategies in addition to expected financial results of Toyota Boshoku Corporation and the Toyota Boshoku group. These statements are not based on actual results from the past. Rather, they are estimates based on assumptions and opinions that have been formed by the company from the information available 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.

### ■ Numerical Values of Financial Results

Numerical values on financial results written in this report have been simplified by rounding off fractions.

### ■ Referenced Guidelines

- Ministry of the Environment's "Environmental Reporting Guidelines: Towards a Sustainable Society (2007 Edition)"
- Ministry of the Environment's "Environmental Accounting Guidelines (2005 Edition)"
- GRI (Global Reporting Initiative) "Sustainability Reporting Guidelines 2006"





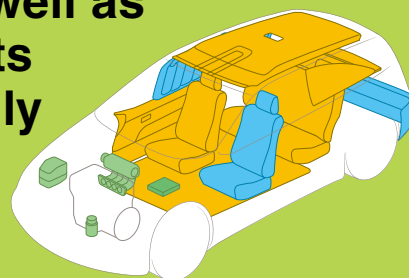
Toyota Boshoku booth at the Automotive Engineering Exposition 2009 (Pacifco Yokohama)

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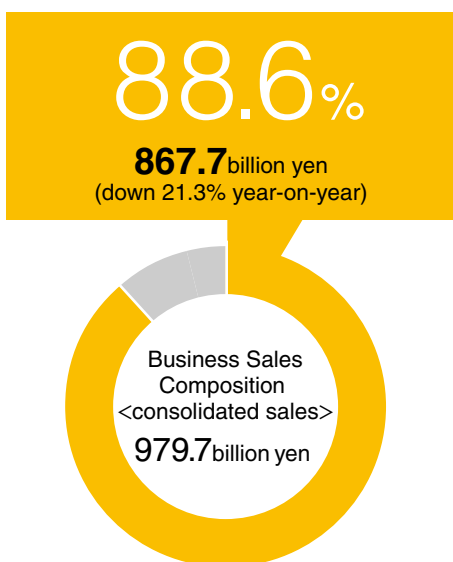
The Toyota Boshoku group is engaged in three automotive businesses:  
interior components business; filtration and power train components business;  
and textiles, exterior components and other business.  
This section is a report on the activities of the group and challenges for the future.

# Management and Businesses

**Toyota Boshoku develops and supplies automotive interior components as well as filtration and power train components to create a cabin space that is friendly to people and to the environment.**



## Interior Components Business



The interior components business is the principal business of Toyota Boshoku, accounting for about 90% of total sales. The company offers a comprehensive approach, developing the concept of the entire cabin space followed by development, design, procurement and production, as an interior system supplier for automobile manufacturers. Providing integrated and effectively coordinated systems of interior space with seats, door trims, headliners, floor carpets, and other components, we aim to pursue total beauty, comfort, and safety. We are also engaged in reducing the impact on the environment at each stage, from manufacturing to disposal.

Net sales decreased by 234.7 billion yen (down 21.3%) to 867.7 billion yen from fiscal 2007 due to reduced production and other factors.



Total automotive interior proposal

In addition to developing the individual components, the company is handling the entire process from the cabin concept creation through to design and production.



Headliner lightings



Headliners



Other Products  
 Silencers/Tonneau covers/Package trays/Others

## Corporate Profile (As of March 31, 2009)

Name: TOYOTA BOSHOKU CORPORATION

Global Mainstay Hub: 1-1 Toyoda-cho, Kariya-shi, Aichi

Established: May 1950

Executive officer: Shuhei Toyoda, President

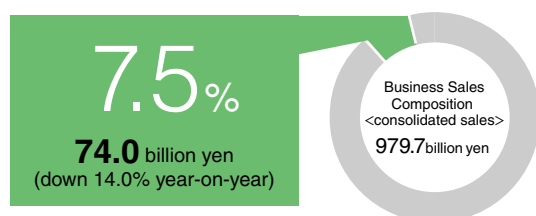
Capital: 8.4 billion yen

Number of employees: 27,078 (consolidated) \*Excluding non-permanent employment

Consolidated business results: Sales 979.7 billion yen / Ordinary income 13.2 billion yen

〈For more detailed company information, please refer to our website〉 <http://www.toyota-boshoku.co.jp/en>

### Filtration and Power Train Components Business



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

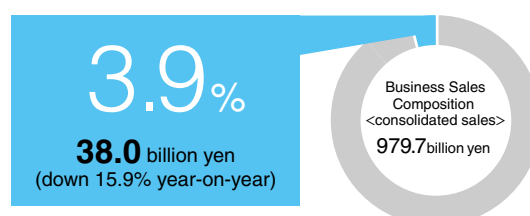
Net sales decreased by 12.0 billion yen (down 14.0%) to 74.0 billion yen from fiscal 2007.



#### Other Products

Automatic transmission fluid filters/ABS coils/Hydrocarbon absorption filters/Air cleaners/Plastic cylinder head covers/Others

### Textiles, Exterior Components and Other Business



The company develops and manufactures fabrics for airbags, seat fabrics, cabin headliner materials and other parts in the textile business. Also, in the exterior components business, the company manufactures service bumpers, fender liners, and engine undercovers.

Net sales decreased by 71.0 billion yen (down 15.9%) to 38.0 billion yen from fiscal 2007.



#### Other Products

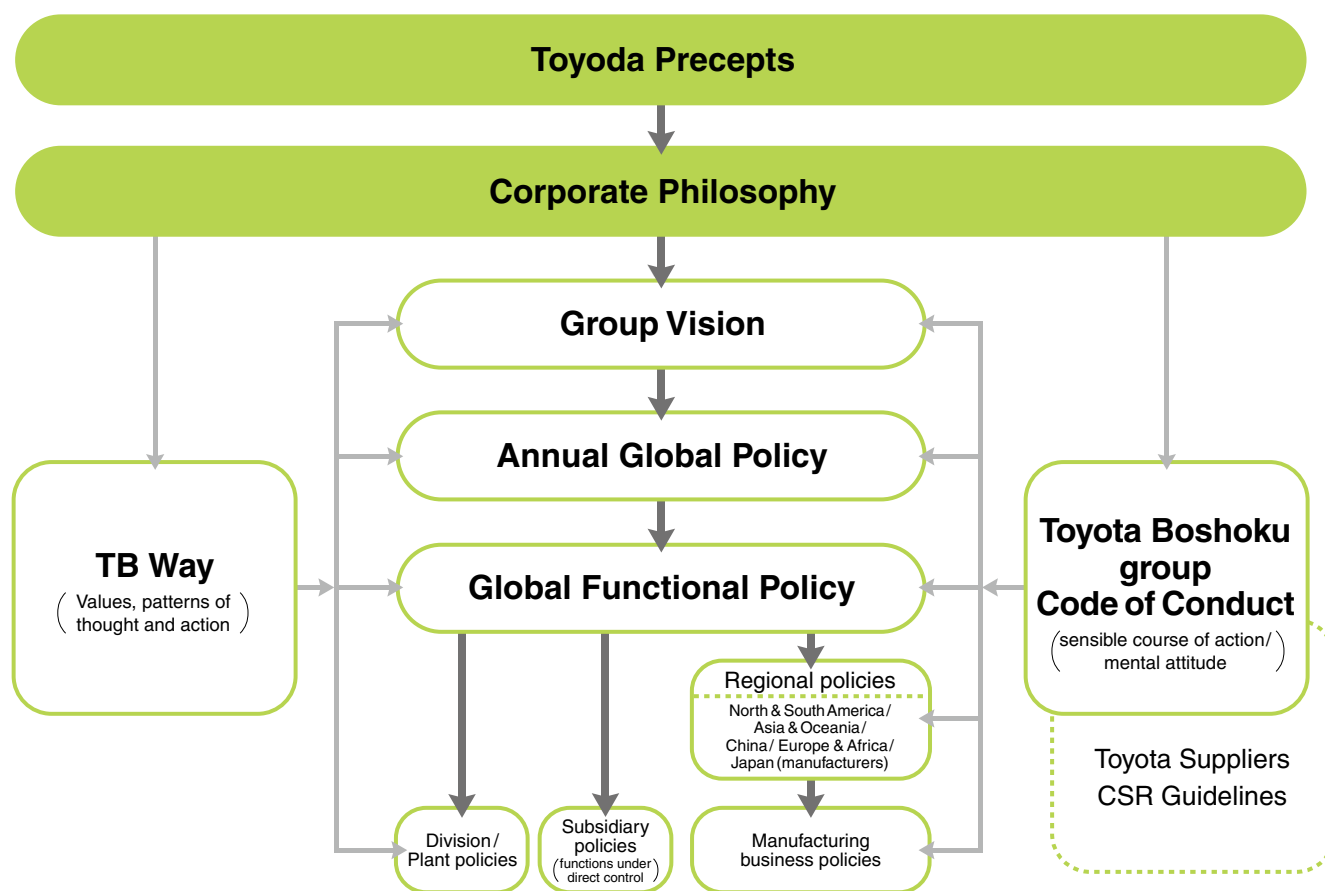
Partition nets/Strap belts/Seatbelt webbings/Fender liners/Engine undercovers/Uniforms/Others



# Contributing to the realization of a prosperous society through manufacturing

## We pursue growth in harmony with society as a good corporate citizen

Toyota Boshoku has established a corporate philosophy based on the Toyoda Precepts of Sakichi Toyoda, the founder of the Toyota group, while our Group Vision provides concrete steps towards fulfilling the philosophy. In addition, we have also established the TB Way as a means for our employees to participate in the corporate philosophy, index of value, and code of conduct. With the overseas expansion of our business, the company decides on a global policy each year in order to achieve global management. Based on this vision and philosophy, we aim to carry out corporate activities that win the trust of all of our stakeholders.



## Toyoda Precepts



Sakichi Toyoda

- Be contributive to the development and welfare of the country by working together, regardless of position, in faithfully fulfilling your duties.
- Be ahead of the times through endless creativity, inquisitiveness and pursuit of improvement.
- Be practical and avoid frivolity.
- Be kind and generous; strive to create a warm, homelike atmosphere.
- Be reverent, and show gratitude for things great and small in thought and deed.

## Corporate Philosophy

### 1. Society: The Company will promote corporate growth while fulfilling the following responsibilities as a good corporate citizen:

- 1) Maintain ethical values, ensuring that our corporate activities are fair and transparent;
- 2) Supply safe products that do not harm the environment; Promote corporate activities that help protect the global environment;
- 3) Create a better society as a member of our local communities.

### 2. Customers: The Company will develop innovative technologies and products to deliver quality that satisfies our customers.

### 3. Shareholder: The Company will promote innovative management policies that ensure future corporate growth and the trust of our shareholders.

### 4. Employees: The Company will build and maintain positive labor-management relations, respect the individuality of its employees and create safe and comfortable workplaces.

### 5. Business partners: The Company will promote open and mutually beneficial relationships with its business partners in pursuit of long-term growth and prosperity.

## 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

## Annual Global Policy for Fiscal 2009

### 1 Plan and execute structural reinforcement and business reorganization to respond to environmental change

- 1) Measures to ensure earnings; reinforcement and reorganization of the business earnings base
- 2) Establishment of optimal supply organizations in keeping with the circumstances in each part of the world
- 3) Setting up of key projects for ensuring future growth capacity
- 4) Concentration of resources on development and production engineering

### 2 Promote development as a truly global company that justifies the trust and expectations of society

- 1) Strengthen and consolidate business management systems and structures to achieve our "one hub per region" concept
- 2) Achieving quality that justifies the trust and expectations of customers by fulfilling all processes in-house
- 3) Use of the TB Way to cultivate a global culture and international personnel
- 4) Steady undertaking of important activities such as CSR

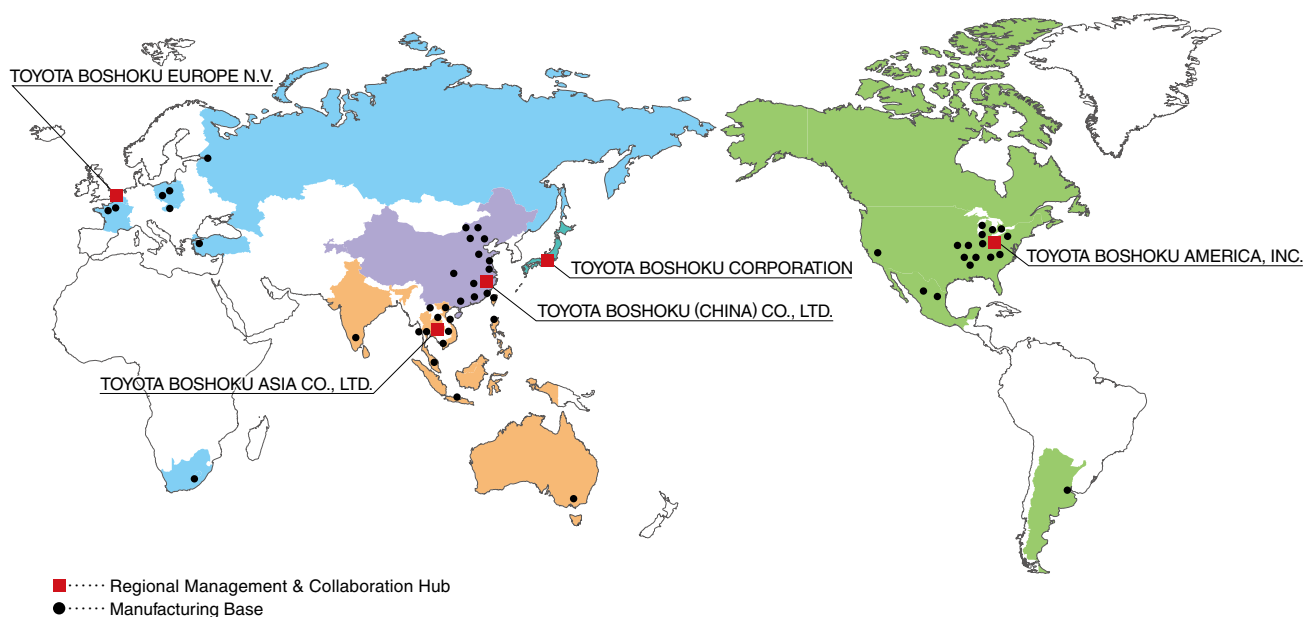
## TB Way

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

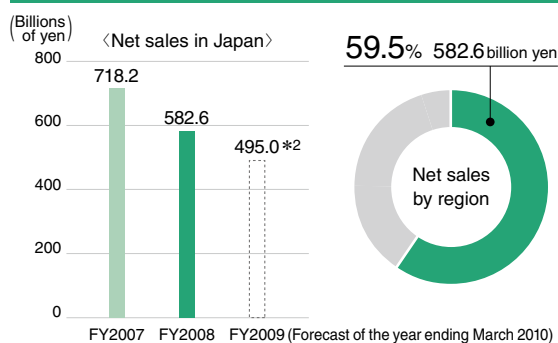
- 1 We meet challenges with courage and creativity, to realize our dreams.
- 2 We carry out *Kaizen* continuously, aiming at achieving higher goals.
- 3 We practice *Genchi Genbutsu* by going to the source to analyze problems and find their root causes.
- 4 Once a decision is made, we move quickly to 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 a global perspective.
- 7 As a good corporate citizen, we do what is right and contribute to society.
- 8 We respect the individual and use teamwork to produce the best result.

## As an interior system supplier and filter manufacturer, we carry out business from five key locations around the world.

The Toyota Boshoku group conducts business globally. The Regional Management & Collaboration Hub (RM & CH) in four regions of the world and Toyota Boshoku carry out “one hub per region” management, with the aim of being a true global company that pursues its business around the world.

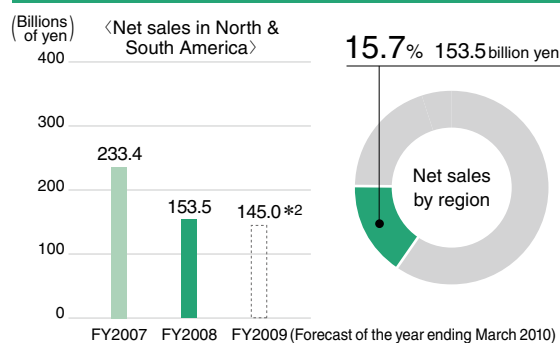


### Japan



Due to a slump in car sales in the Japan market and low exports to the North American market, net sales decreased by 135.6 billion yen (down 18.9%) to 582.6 billion yen from the previous year. Efforts were focused on emergency earnings recovery through reduction of fixed costs and other activities. However, as a result of lower earning from declining sales, our operating loss amounted to 6.7 billion yen with a decrease of 26.4 billion yen from the operating income of 19.7 billion yen in the previous year.

### North & South America (USA, Canada, Mexico, Argentina, etc.)



Due to the substantial decline in production prompted by the stalled North American market and the impact of the high yen, net sales decreased by 79.9 billion yen (down 34.2%) to 153.5 billion yen from the previous year. As a result of lower earnings from declining sales, our operating loss amounted to 7.7 billion yen with a decrease of 15.4 billion yen from the operating income of 7.7 billion yen in the previous year.



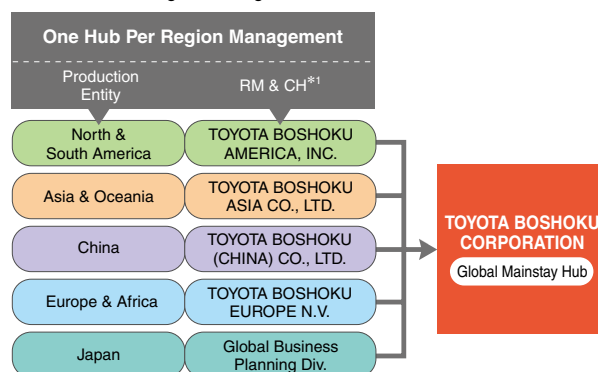
## One Hub Per Region

The Toyota Boshoku group consists of 87 companies based around the world. These companies are divided into five regions (North & South America, Asia & Oceania, China, Europe & Africa, and Japan). RM & CH\*1 in each region manages the integrated production businesses.

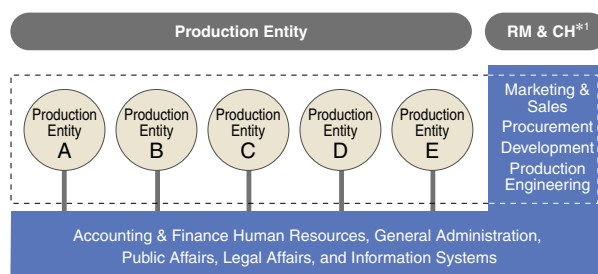
Instead of merely controlling production businesses through capital ties, RM & CH\*1 have built structures that integrate production businesses in each region like one company. The RM & CH\*1 not only handle accounting & finance, human resources, general administration and public affairs, but also have the ability to achieve greater results 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 “one hub per region”, Toyota Boshoku established officers meetings in each region and decided on the directions for important matters with the Global Mainstay Hub. It also formulated global approval rules and clarified authority and responsibility to maintain regional independence.

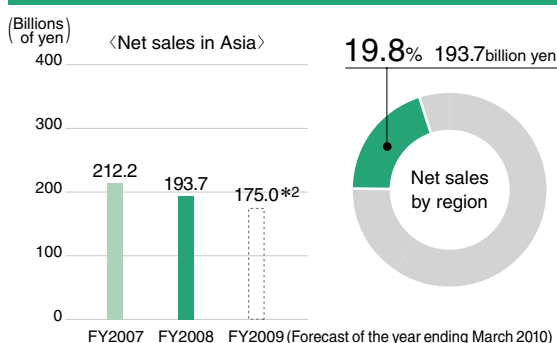
■ One Hub Per Region Management Chart



This area classification is not the same with the business segment in the financial report.

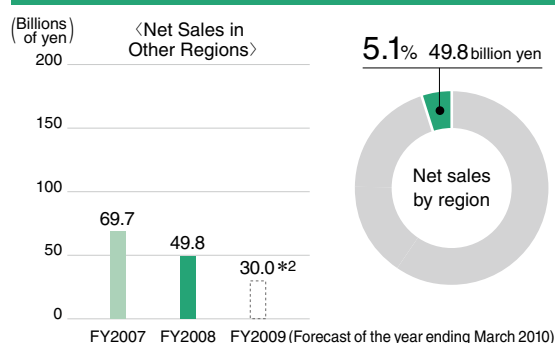


### Asia (China, Thailand, Vietnam, the Philippines, Indonesia, India, etc.)



Despite the contribution made by products for the Yaris manufactured in Guangzhou, (China), due to the decline in production prompted by stalled markets as well as the impact of the high yen, net sales decreased by 18.4 billion yen (down 8.7%) to 193.7 billion yen from the previous year. As a result of lower earning from declining sales, our operating income decreased by 3.9 billion yen (down 12.5%) to 27.6 billion yen from the previous year.

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



Due to the substantial decline in production prompted by a sluggish market, net sales decreased by 19.9 billion yen (down 28.6%) to 49.8 billion yen from the previous year. As a result of lower earnings from declining sales, our operating loss amounted to 1.0 billion yen with a decrease of 6.1 billion yen from the operating income of 5.1 billion yen in the previous year.

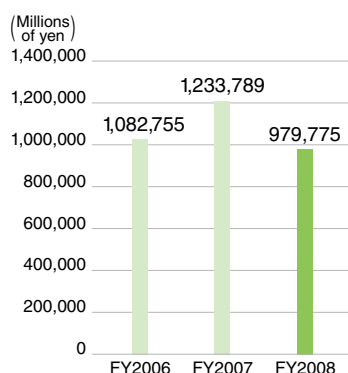
\*2 Net sales for fiscal 2007 and 2008 are net sales to external customers, while the forecast for net sales in fiscal 2009 combines net sales to external customers and net internal sales and/or transfers between regions.

## Management and Businesses Highlights

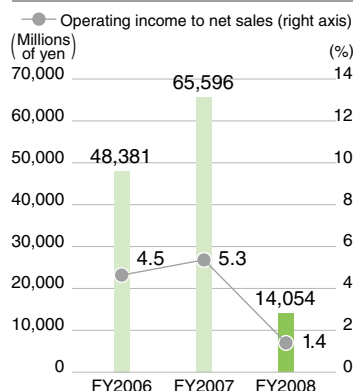
### Fiscal 2008 Business Performance

In fiscal 2008 the crisis in the global economy, a high yen and other factors resulted in a slump in vehicle sales. Consolidated net sales decreased by 254.0 billion yen (down 20.6%) to 979.7 billion yen from previous year. Consolidated ordinary income decreased by 52.4 billion yen (down 79.8%) to 13.2 billion yen. Consolidated net income (net loss) decreased by 45.7 billion yen for a net loss of 5.0 billion yen compared with consolidated net income of 40.7 billion yen in the previous year.

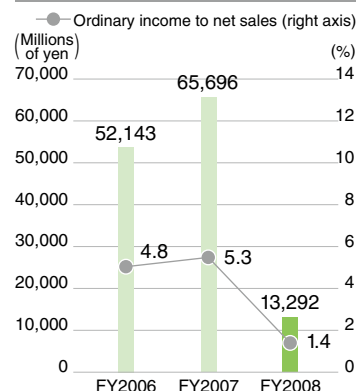
#### Net Sales



#### Operating Income/ Operating Income to Net Sales



#### Ordinary Income/ Ordinary Income to Net Sales



## Our Involvement with Society: Highlights

### Completion of the Global Learning Center

In November 2008, the Global Learning Center was completed as a venue for the professional development of Toyota Boshoku group employees from twenty-one countries and regions around the world (for details, see p.43).



Global Learning Center

### Agreement with Kanzaki city about company reforestation activities

In December 2008, Toyota Boshoku Kyushu signed an Agreement about Company Reforestation Activities with Kanzaki City in Saga Prefecture. For five years as of January 2009, employees will join local agencies in reforestation activities (for details, see p.33).

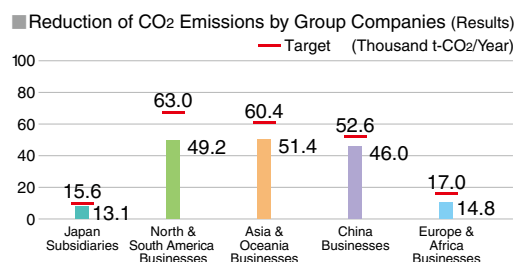


Reforestation Activities by Toyota Boshoku Kyusyu employees

## Our Involvement with the Environment: Highlights

### Global CO<sub>2</sub> reduction activities started

In order to strengthen our activities to prevent global warming, all the companies in the Toyota Boshoku group started global CO<sub>2</sub> reduction activities. Each company sets targets for reducing its CO<sub>2</sub> emissions. In fiscal 2008, the first year of the activities, all sites met their targets (for details, see p.61).



## “Work as one to create opportunity out of economic adversity” is our motto, as we are strengthening our future business structure.

The Toyota Boshoku group came up with a number of innovations throughout fiscal year 2008, as part of the drive to become a truly global company. In this section, Toyota Boshoku president Shuhei Toyoda explains more about these efforts and the outlook for the future.



Shuhei Toyoda, President

### Q Could you give readers an outline of the business activities of the Toyota Boshoku group?

As you will read further down this report, the Toyota Boshoku group is engaged in several lines of business, worldwide. These range from interior car components, filtration and power train components, textile, exterior car components and a number of other product lines. Today, we comprise 76 subsidiaries and 10 affiliates. Our interior car components business accounts for 90% of our overall sales.

This doesn't mean that Toyota Boshoku group's activities are just about assembling interior car parts or modules. We believe the interior of a car to be a whole interactive system that must be coordinated in a comprehensive and efficient way. Therefore, we are continuously motivated in maintaining our position as a supplier that can offer all-round attractiveness, comfort and safety to customers, in all the different markets in the world.

### Q What are the strengths and advantages of the Toyota Boshoku Group?

Ever since Toyota Boshoku's foundation, we have always focused on three main objectives throughout our manufacturing activities: the development of quality products that are useful to our customers; the guarantee that these products are available at the most affordable, reasonable price when our customers need them; and finally, in doing so, to contribute to society in a positive manner. At every stage of the manufacturing process, nothing is left to chance. Expertise and dedication is found at all stages, starting from procurement, moving to development, design, production, ending with delivery and service. One of our strengths is that each and every Toyota Boshoku group member not only understands the importance of teamwork, but actually also puts it in practice by working as a strong team.

What does the end user see and touch most when using his car? Car interior components. This is one of the reasons why we have made it our mission to offer products that not only satisfy the car manufacturing companies, but also the end users.

### Q How well did the group perform during fiscal year 2008?

Notwithstanding the harsh global slump in car sales, Toyota Boshoku group sales were down 254 billion Japanese yen on the previous year, bringing us to a sales figure of 979.7 billion yen.

Reacting immediately to the first signs of stagnation in the automotive industry, we achieved good cost reductions during 2008, through what we call in Japanese the “*Tokoton Chiedashi*” programme. As a rough translation, this could be understood as “Unlimited Brainstorming Ideas” programme. In December, an Emergency Profit Improvement Committee was set up, of which I took the chairmanship. Through a number of initiatives, we targeted a cost reduction of 15.5 billion yen,

**Cost-cutting campaign exceeds expectations to reach 16.7 billion yen in the face of adverse conditions**



and this for the whole of the group. We ended up exceeding that figure, eventually reducing costs by 16.7 billion yen. The tough environment turned out to be a positive incentive to improve ourselves.

As a result, despite the drop in revenue, we still managed to post ordinary revenue of 13.2 billion yen. It is true that overall, we posted a net loss of 5 billion yen, but in the perspective of the economic environment, I feel that this is still a laudable result and it shows the group's capacity in joining forces to achieve cost-cutting results, above the expected results. I am extremely proud of all the members who pulled up their sleeves, came up with ideas and worked through these ideas, overcoming challenges with a strong mind, and this all as one cohesive team. (More details below).



lead to the creation of five geographical regions: the Americas region, which groups Northern, Central and Southern America; the Asia and Oceania region; the China region; the Japan region; and the fifth and youngest region: Europe and Africa. The Global Business Planning Division, based in Japan, offers support to all these regions, through the local central hub of each region. All these entities behave as the nucleus of a collective production and marketing effort.

In order to maintain global coherence, we have set up a framework to support future development and growth. A number of steps have been taken, for example the setting up of the Global Planning Meeting. Generally speaking, what we want to achieve is the existence of a global framework that will hold our common working principles and objectives, and promote a common understanding, while keeping an open and fast communication flow on the local requirements of each region. It is important for all regions to be on the same wavelength and to be aware of each other's needs and specifics.

I know that this innovative approach towards global management has brought significant results, while evolving in an environment of economic recession.

### **Q You mentioned the group becoming a truly global company. What efforts have been made during fiscal year 2008 in order to follow this path?**

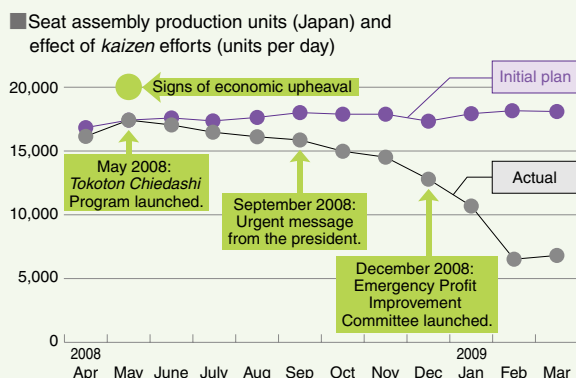
For a while, the Toyota Boshoku group has been working with the principle of "one local hub per region". This has

## » A complete group effort to improve profit produces quick results

### **Early detection of signs of change in the industry allows for quick response**

The signs of change in the automotive industry were first picked up in May 2008. At the time, seat assembly production numbers were progressing according to plan, but the movement of the economy and a range of other factors pointed to a worsening of the economic climate.

Reaction was quick: the *Tokoton Chiedashi* Program was launched before the end of May. The program is designed to



provide a boost to the Toyota Boshoku group's efforts in securing profit such as by encouraging every group member to come up with ideas to eliminate waste. Then, in September, President Toyoda sent out an urgent message to Toyota Boshoku group members worldwide, urging them to redouble their efforts to secure profit.

When the extent of the unprecedented economic downturn became clear in December (some are calling it a once-in-a-century recession), the group launched its Emergency Profit Improvement Committee with President Toyoda as chairman. The committee immediately began working aggressively to improve profitability, such as by setting challenging targets for cost reduction.

### **Fixed-cost cuts and manufacturing-cost improvements see cost cut by 16.7 billion yen—1.2 billion more than planned**

The Emergency Profit Improvement Committee was formed to secure profit over the short term. A thorough program of cost cutting and cost of manufacture improvement was implemented, and business expenses, personnel and labor costs and capital investment were scaled back.

The combined positive effects of the *Tokoton Chiedashi* Program,

## Q The group has also reinforced its global credentials with the creation of new production centres, hasn't it?

That's right. We established two new companies in the Europe and Africa region. Toyota Boshoku Somain S.A.S., which manufactures seats in France, is the group's first seat assembly plant in the European Union. The other plant is TBAI Poland, which is a joint venture with Aisin Seiki. It produces seat frames and is the first cover and seat frame plant for that region. Both plants were established with an eye on the Russian market. These two new plants mark the completion of an optimal production and distribution infrastructure in Europe.

## Q As support to global expansion, a considerable number of new products were developed. Can you take us through these?

Over the past few years, we have developed a new generation of car seat frames. Its first appearance on the market was with the launch of the Toyota iQ (more details on page 25). Since then, the advantages of these new-generation seat frames have been confirmed by the increased number of car models using them, one

## Reinforcing global management and investing more effort into products for mini and compact vehicles

example being the new Toyota PRIUS.

We did set and achieve high targets for these seat frames in terms of resources preservation and minimising weight, work processes and costs. Their development was an overall team effort in design, production engineering, manufacturing and every other area that is involved.

Given that generally speaking, society is paying more attention to eco-cars and compact cars, it was a wise decision to develop such new seat frames that fully meet demand and expectations.

## Q Quality has always been important for Toyota Boshoku. What has been done to keep improving it?

At all levels in the group, we believe that we have to take a dual approach towards improving quality; both in design and in manufacturing, quality should always be present at a high level.

We are working on design quality through what we call "design review" and "simultaneous engineering". Partly, this entails narrowing down the production engineering requirements and manufacturing expertise at the design stage.

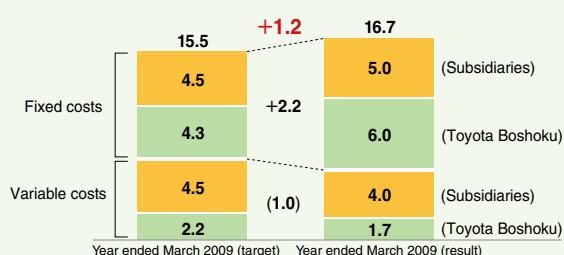
It includes a wide range of important aspects such as,

the president's urgent message and the Emergency Profit Improvement Committee saw costs cut by 16.7 billion yen—fully 1.2 billion yen more than the target of 15.5 billion yen.

Fixed costs amounted to cut to 11 billion yen less than the amount budgeted for the initial plan, by stringent management of departmental administrative costs, right down to the basic unit and switching from an estimate-and-actual differential-based budget to one based on an absolute-figure system. All capital investment projects were postponed except for those that were absolutely necessary, and members were instructed to use existing machinery and equipment.

As a result, whereas the initial plan budgeted 79 billion yen for costs, the final figure came in at 60.4 billion yen.

■ Rationalization (in billions of yen)

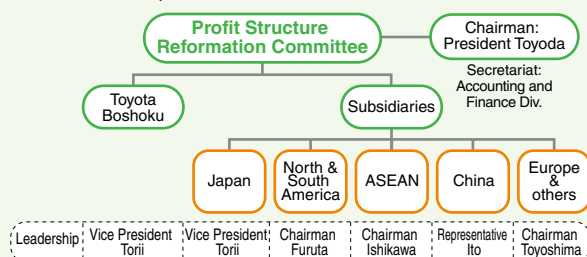


## Fundamental reformation of profit structure slated for fiscal 2009

The Toyota Boshoku group's efforts to reduce costs in fiscal 2008 were emergency measures to avert a crisis. Now it will be necessary to fundamentally revamp the profit structure. A Profit Structure Reformation Committee will be established, unprofitable products eliminated, value analysis strengthened, R&D made more efficient, distribution improved and a raft of other innovations put in place to ensure more permanent improvements.

Our aim for fiscal 2009 is to post a net profit and ensure our profit structure is strong in the mid-to-long-term.

■ Framework for profit structure reform



to name just a few, anti-fading of colour, durability, aesthetic quality, functionality, noise prevention and no breakdowns during use. These all need to be confirmed at an early stage, and in parallel with other activities, in order to reduce development time and costs.

Quality improvement was also achieved with the use of design navigation, design check seat, and a number of other tools.

In parallel, manufacturing quality was improved by standardising work processes, leading to built-in quality. Of course, constant emphasis was laid on the implementation of standardised processes.

Putting into operation these measures throughout the Toyota Boshoku group was of course important, but that wouldn't be far reaching enough. Improving manufacturing quality at the side of our own suppliers was also a major step. Over the years, we have been working together with our suppliers, creating and implementing standardisation of their work processes. It is my opinion that this cooperation with our suppliers has started to bear fruit.

### **Q What will be your approach during fiscal year 2009?**

In a severe economic environment, it is easy to let the company and its members become depressed. And then things can easily go from bad to worse. So when the going gets tough, it is the perfect timing for thinking on how to overcome that adversity—it can be the perfect environment for sowing new ideas. While the world economic outlook still holds some uncertainties, each and every one of us who is part of the Toyota Boshoku group is dedicated to joining forces under our slogan: “Work as one to create opportunity out of economic adversity”. We are all purposefully looking to the future.

To talk more about numbers than principles, for sales, we are expecting to achieve 840 billion yen in fiscal 2009 (14.2% less than fiscal 2008), an operating income of 5 billion yen and an ordinary income of 2 billion yen.

### **Q What themes will you be concentrating on in terms of global business, for the upcoming fiscal year?**

The “one hub per region” concept has made its first steps and is well under way.

We now want to emphasize its backbone by strengthening the different existing functions. At present, each region has its own human resources, accounting, procurement and marketing departments. The present hurdle is their lack of synergy with their equivalents in the other regions. For this type of common function departments, we are going to foster global communication and two-way accountability to bring these in line with their counterparts, so as to achieve a more effective style of business management and remove all “*muda*”. We will methodically review the regions' different departments and their common functions, in order to further reinforce the partnership between Japan and the regions, with a view to following our aim of “one hub per region”.

### **Q In parallel, what development and production challenges will you be addressing next fiscal year?**

First, we will work on compact production lines. Over the past few years, we have worked on making production lines simpler. But we have yet to reach a satisfactory level, so we will follow suit with this project.

Efficiency is also a vital point when it comes to development. Our intention is to establish an “Efficiency Development Committee” within the R&D Group. The potential saved by improved efficiency can then be reinvested in the development of future technologies.

We will further be reviewing our global development framework. I believe that the issue of how to integrate our overseas development strong points with the Japanese ones needs to be addressed.



The Global Awards



The Global Business Meeting



Assembling seats using next-generation seat frames

## Q What are your plans for the mini and compact vehicle market?

Traditionally, the Toyota Boshoku group hasn't had many orders for the mini or compact car market. But our move to develop next-generation seat frames will help us in winning orders for this segment of car manufacturing. I am sure we will be able to seize a significant part of that market. It is common knowledge that this class of vehicles will become more prominent throughout the world, and therefore we must not hesitate in competing for that market share.

## Q In 2008, Toyota Boshoku opened its Research Laboratories. What is their purpose?

It is where our research into ergonomics, materials and biotechnology are taking place.

The Toyota Boshoku group makes products that people actually use in daily life, and that raises the importance of ergonomics. Although Toyota Boshoku possesses high engineering development capability for automotive interior, power train and textile products all viewed separately, combined engineering development of all products has made only slight progress. We will most certainly make a fusion of these different technologies to create new and advanced technology for our future products.

It is a well-known fact that the natural resources of this planet are limited, and furthermore, the geographical location of natural resources is also unequal. This is the reason why our company is putting priority on research towards resources with less limitation, or with less impact on the future of the environment.

These laboratories will be a foundation in fostering research in all our product range and for all the different needs of every region. The great point about basic research is that you can start in one direction, and make completely unexpected discoveries. I have high expectations of the laboratories, and I trust them to come up with amazing results in the mid to long term.

## Q How will you approach the important aspect of human resources development?

A company is only as good as the members who run or make it, so therefore a product can also only be as good as the members who develop and manufacture the product. If we want products of outstanding quality,

the Toyota Boshoku group needs members with outstanding qualities. The continuous development of the group's workforce has always been a major objective. Members grow through the results of their work and work satisfaction. Our policy has always been and will remain focused on on-the-job-training, completed with sit-down study if needed.

It isn't possible to develop the group's members without having properly trained managers. One important—and time-consuming—task for a manager is the development of his or her team members. At Toyota Boshoku, we will work ever harder to instil in our managers the ability and knowledge to further nurture the potential and skills of their team members.

## Q What are your thoughts on Toyota Boshoku's CSR and environmental protection efforts?

A company, whatever its core business, is a social entity. Its mission is to create profit, and therefore participate in the world's fiscal budget. Through this chain, a company is contributing to society. It also contributes through providing job opportunities, training opportunities and R&D that can then be applied to social benefits.

This is the most basic objective of a company: contributing to society through creating profit. But a company also needs to be a good corporate citizen. This isn't limited to just carrying out business activities. It also includes a more complex aspect: a company must behave according to the rules, principles and expectations of the society it is evolving in.

In the Toyota Boshoku group, this behaviour and commitment lies close to our heart. We endeavour each day proactively to meet our corporate social responsibilities (CSR). We constantly remind ourselves of the need to protect the environment, for instance, by striving for the reduction of CO<sub>2</sub> emissions or contributing to reforestation activities. (More details on page 51)

We will continue to address and overcome the issues that the world has to face on a daily basis, while sharing any discovery that will help society as a group. We don't want to just be a global company. We want to be a global player that acts appropriately, a global player that also contributes on a global scale.

**Working hard at CSR, environmental protection and our business in order to be a good corporate citizen**



# North & South America

## Strengthening the Toyota Boshoku America group's business structure and performance will turn crisis into opportunity

The US financial crisis has sparked an ongoing slump in vehicle sales in the Americas. In this section, Toyota Boshoku America Chairman and CEO Kiyoshi Furuta reports on what the Toyota Boshoku America group has done to react to this severe climate, and describes the group's aims for the future.



**Kiyoshi Furuta**, Chairman and CEO,  
TOYOTA BOSHOKU AMERICA, INC.



TOYOTA BOSHOKU  
AMERICA, INC.



### A lean, strong organization with the resilience to survive the recession

The situation in the North & South American automobile industry is grave. In particular, the US and the rest of the North American auto market is experiencing a downturn of record proportions. Chrysler and General Motors (GM) filed for Chapter 11 bankruptcy, and other auto manufacturers are struggling. As a result, the major suppliers of parts to those manufacturers are also in a tough situation.

However, I believe this presents the Toyota Boshoku America group with new opportunities to leverage our strengths and pick up business of the suppliers that do not survive the recession. Obviously we at the Toyota Boshoku America group will also need to ensure we have a lean, strong organization in order to pull through and survive this recession.

### 100% ownership of group companies in the region will allow swift, flexible response

To survive and grow in this market, it is vital for the Toyota Boshoku America group to remain flexible and respond swiftly to the rapid changes of the economic climate. To that end, we began a restructuring of our organization in fiscal 2008.

The Toyota Boshoku America group contained a number of joint venture companies launched by Toyota Boshoku and its competitors. With a joint venture, everything is decided by negotiation with the venture partner. This made it difficult for us to react to situations in the required manner. Therefore, for instance, in Indiana region, we have sought to turn Total Interior Systems-America, a joint venture we established with Lear Corporation, and Automotive Technology Systems, a joint venture with Johnson Controls, into

wholly-owned subsidiaries.

This has enabled us to integrate operations in the region by reallocating staff according to changes in production and consolidating administrative departments, thus raising efficiency and optimizing production sites.

Additionally, we reviewed our procurement practices for materials and parts so as to ensure each item is



Hard work at Toyota Boshoku Canada

purchased at the optimal price. We have shifted to centralized procurement in order to lower procurement costs.

In Canada, Toyota Boshoku Canada's Woodstock Plant, which produces items for use in the RAV4 has begun operations. Production

of parts for the Lexus RX has begun at the Elmira Plant through cooperation and teamwork.

In 2009, we will redouble our efforts to achieve further improvements in efficiency and organizational flexibility.

**Training local staff will help to ensure our truly global company retains strong local roots**

Securing profit has been identified as a point of strategic importance for the short term, and we are

working hard to achieve that goal. Inspired by our slogans for fiscal 2009 — "Survive to Win" and "Back to Break Even" — we will spare no effort to minimize costs and achieve a lean, strong organization. In the medium term, our goals are to build a framework that enables us to maintain a level of quality, productivity and profitability unrivalled in the Americas.

The future of the market remains unpredictable, and we must be on our toes. I believe the situation will remain severe for a while yet. Therefore considerable effort is being invested in training and developing our local employees in order to turn adversity into opportunity.

In my view, the key to becoming a truly global company lies in having our local staff learn about the Toyota Boshoku corporate culture as illustrated by the TB Way; and by having them understand our way of working, which entails addressing and solving problems independently; and eventually having them rise to become the driving force behind the company's operations. Only when our diverse range of employees work on equal footing and our local employees develop and grow together with the Toyota Boshoku group overall, can we call ourselves a truly global company with strong local roots.

The Toyota Boshoku America group is making a combined team effort to turn that goal into reality. We look forward to the day when we achieve our two overriding goals: to be the number one supplier of auto interior components in North & South America, and to make Toyota Boshoku America the top earner in the Toyota Boshoku group.

### **New production sites provide a boost to business in North America; wholly-owned subsidiary of Toyota Boshoku America begins operations in Canada**



Toyota Boshoku Canada, Inc.

Toyota Boshoku Canada (TBCA), located in Ontario, began production on October 27, 2008. TBCA is the Toyota Boshoku America group's first wholly-owned seat manufacturer in North America. The company produces seats, door trims, carpets, headliners and other interior components for the Toyota RAV4, delivering to the second plant of Toyota Motor Manufacturing Canada, Toyota Motor Corporation's local company.

An opening ceremony was held at TBCA's Woodstock Plant in May 2009 to celebrate the smooth start to production operations. The event attracted 75 guests from Toyota Motor Corporation and the Ontario Government.

Inspired by its slogan "Built in Quality in Each Process with Ownership," TBCA aims to become the number one comprehensive manufacturer of car interiors in North America. Its employees are banding together well to make a concerted effort to achieve tip-top quality.



The Woodstock Plant's Opening Ceremony



# Asia & Oceania

(ASEAN/Australia/India/Taiwan)

## Promoting localization of management by instilling manufacturing techniques and mentality

The Asia and Oceania region contains numerous emerging countries in which robust growth is forecast. In recent years, Toyota Boshoku Asia, the Regional Management & Collaboration Hub, has led a drive to improve manufacturing techniques. In this section, Toyota Boshoku Asia Chairman Shozo Ishikawa will report on the current situation and outlook in Asia and Oceania.



TOYOTA BOSHOKU ASIA CO., LTD.



Shozo Ishikawa, Chairman,  
TOYOTA BOSHOKU ASIA CO., LTD.

### Equipment productivity benchmarks lead to increased confidence among local staff

The Asia and Oceania region has not escaped the global recession. Since autumn 2008, both slumping sales and inventory adjustment of major clients have combined to push the rate of capacity use back to around 60% of the achieved level in the first half of the year. However, there have recently been promising signs in some areas. For instance, Toyota Boshoku Gateway (Thailand) restored its night shift starting June 2009 in response to an increase in orders for cars to be exported within the region. Toyota Boshoku Hanoi in Vietnam planned to return to full operations in the same month. Meanwhile, in Taiwan, a reduction in the new-car tax burden has sent sales into an upward trend.

However, these developments are offset by the particularly severe slumps in Australia and Indonesia. We foresee that the situation for the region overall will remain serious.

In 2008, Toyota Boshoku Asia struggled to secure profits.

The main reason for this was the drop in sales, but foreign exchange losses were another factor. The costs that our various local companies in the region faced for purchasing parts and materials from Japan and other countries became more expensive as local currencies lost value. We are fully aware that this is an area that needs addressing in future.

Looking at improving production, we have adopted a global productivity evaluation system as a means of achieving improvement through friendly competition. A region-wide effort is being made to achieve equipment productivity benchmarks. As a result, press and injection productivity contradicted popular expectations and met several benchmarks. This has led to a major improvement in confidence among local staff. Additionally, our drive to promote local procurement, which we began in 2006, has had further effect: 87% of parts and materials are now obtained locally, up from 83% in 2006.

ARST (Thailand) has shown particular improvement under Toyota Boshoku's guidance. The local production of round recliners using a new manufacturing method has been a particularly significant development because it has



The round recliner FHS press machine is officially launched

contributed to the upgrading of Thai manufacturing technology.

### Just-in-time production, profit structure improvement and elimination of defective products

Toyota Boshoku Asia has identified several challenges to overcome with in the short and medium term. Firstly, we aim to improve profitability in a period of reduced production by reducing fixed costs. Also, we will reinforce our efforts to achieve success in the following enterprises:

- (1) Pursue just-in-time production (the fundamental precept of manufacturing) in order to identify production and distribution problems that often go unnoticed, with a large amount of inventory, and deal with them thoroughly.
- (2) Switch to an organizational structure that is less affected by foreign exchange fluctuations, for instance by expanding the localization of parts and materials procurement and balancing import and export figures.
- (3) Introduce greater autonomy in production and manufacturing preparation. Promote local procurement (including in-house manufacturing) of production equipment in order to reduce production and manufacturing preparation costs.
- (4) Strengthen the preventive maintenance activity to better ensure stable, just-in-time production.

All products live or die by their quality. Therefore it is vital that we maintain quality improvement efforts at all times. In particular, the quality of products at the time they are delivered to customers is very important. We have achieved considerable improvements in this area as a result of improvement activities performed since last year. Despite this, we still fail to reach the customers' expectations.

I believe that, as a supplier of interior systems, we need to rectify this situation by bolstering our supervision of our own suppliers. Therefore, starting in fiscal 2009, we have

implemented a new system to educate and train the suppliers' staff to improve their standardized work. We have also begun dealing with complaints from the market—a new development for us.

### Working hard to teach local staff to identify and solve problems themselves

To reinforce our stance as a company with strong community ties, it is vital that we are seen by local people as contributing to the development of the local country and the growth of its people. That is why we need to go much further than the regular transfer of manufacturing technology; we must also transfer design, evaluation and other development technologies. We must work hard to get local staff involved in management. To achieve this localization of management, we are building a regional headquarters and development center with education and training facilities near Suvarnabhumi International Airport in Bangkok.

It is vital that the overseas-based Japanese staff need to change the way they approach their work in order to effectively utilize this functional headquarters. Because, while it is important that we identify and solve problems by ourselves, it is also imperative that we pass on our knowledge and expertise to the local people so that they will be able to do the same by themselves.

### Earning trust by contributing to the community and protecting the environment



In October 2008, 145 people from six of the Toyota Boshoku group companies in Thailand joined forces with 214 local students and other residents to plant 1,600 trees in Rayong Province. In addition, in

March 2009, Toyota Boshoku Asia assisted in cleaning a river that flows near the new company building currently under construction. We will continue to strive to earn people's trust by making a positive contribution to our local communities.

### Innovating to improve manufacturing techniques and quality as well as promoting local procurement



The Toyota Boshoku Asia group is constantly innovating to improve manufacturing techniques and quality. Also, in fiscal 2008, the group of thirteen companies made a year-round effort to increase the local procurement of parts and materials. Each company set a goal for the year and strove tirelessly throughout the year to achieve it. Progress was monitored at bi-monthly regional officers' committee meetings. In addition, at the Toyota Boshoku Asia group Quality Control Circle meeting in November, there was a concerted effort to raise awareness of the importance of quality. The meeting served as an ideal forum for the various group companies to share ideas.

Elsewhere, in December, Toyota Boshoku Asia invited customers to our new product and technology exhibition, while STB Textiles Industry held a skills competition. We look forward to holding similar events in future.



# China

## Building a solid foundation on which to establish a leading position in the Chinese market

China has rapidly grown into the second-biggest market behind America.

Toyota Boshoku's Regional Management & Collaboration Hub (RM & CH) in China, Toyota Boshoku (China), is leading efforts to improve quality and develop human resources throughout the region. In this section, Toyota Boshoku (China) Representative Fumitaka Ito reports on efforts to build trust as a supplier of interior systems and manufacturer of filters that will serve the company well in the Chinese market in future.



TOYOTA BOSHOKU (CHINA) CO., LTD.



Fumitaka Ito, Representative,  
TOYOTA BOSHOKU (CHINA) CO., LTD.

### Solid business expansion buoyed by robust car sales

With 9.38 million cars sold in fiscal 2008, China has grown into the second largest market in the world behind America.

The Chinese government published its Adjustment and Revitalization Plan for the Automobile Industry in February. According to the plan, China foresees 12 million car sales in 2011. However, the effects of the global financial crisis have seen an extended period of adjustment starting in autumn 2008 and continuing as of spring 2009. Indeed, between October 2008 and April 2009, more than 600 employments have been eliminated over the whole region. On the other hand, from a mid-to-long-term perspective, we still need to strengthen our production capacity, for instance by establishing and

amalgamating production sites. The situation, therefore, calls for some careful steering through difficult waters.

Still, the huge economic stimulus package unleashed by the Chinese government has ensured that consumption has not plummeted to the same degree as in Japan, Europe and the USA. Also, the automobile market remains comparatively healthy, and many auto manufacturers plan to introduce new models and upgrade existing ones.

The Toyota Boshoku (China) group is a part of this movement. We are planning to produce items for three new models and redesign products for two models in 2009, while in 2010 we will make items for one new model and redesign products for four models.



### An eager contributor to the community, Toyota Boshoku (China) group has deep roots in China



We see contributing to local communities as an important part of the Toyota Boshoku (China) group's work. Just a few examples of these

activities include Toyota Boshoku (China) picking up trash and cleaning up the environment around company premises in June 2008, donating a DVD player, stereo and other sound equipment to the Luoshan civic hall in October, and cleaning the windows, buildings and outdoor areas of a retirement home housed in the civic hall complex.

Other companies in the group are also actively involved in local-based community contribution activities.

### Strengthening our business foundation, creating a single organization and training staff

The Chinese automobile market is predicted to grow steadily. Our aim is to increase in China our share of the market for interior components, filters, power train components, textiles and exterior components to 10% each. To that end, I believe it is vital that we further strengthen our business foundation in terms of production companies' quality and quantity, establish a supply framework that covers the present and can adapt to future changes throughout the region as well as create a "one hub per region" operating structure centered on Toyota Boshoku (China), the RM & CH\*.

When future developments are taken into account, it is clear that the most important thing for us now is to

develop human resources. The job-for-life system is not suited to China. It is imperative that we identify ways to increase our popularity among the local population so as to build up a pool of potential employees. I hope that our efforts to convince the local people of the importance of working patiently to make and improve things will result in them taking a shine to manufacturing work.

There are no shortcuts to this goal, though. I believe the only way to build up a force of people who like manufacturing work and like Toyota Boshoku is to keep working at it on a daily basis.

Furthermore, interpersonal relationships are particularly important in Chinese society. We must strive to build relationships based on trust throughout the region and local communities, and further endeavor to carry those relationships on to successive generations.

### Only by establishing ourselves as the "one and only" can we earn the trust of the Chinese market

At present, the leaders of the various companies of the Toyota Boshoku (China) group are aiming to make Toyota Boshoku not just the best option for customers, but the only option—the "one and only". From trivial things to major matters, compromise is out of the question when you are the "one and only". There must be no compromise on keeping delivery deadlines, no compromise on environmental protection and definitely no compromise on safety.

I am convinced that when the companies of the Toyota Boshoku (China) group master this no-compromise stance, and we begin to function as a "one hub per region" entity, we will have earned the trust and respect of China.

### QC Circle activities have begun with an aim to achieve world-beating quality

The Toyota Boshoku (China) group is in the midst of a team effort to ensure our products have world-beating quality. To achieve this, each of the group's businesses has introduced quality control circle activities. The results of the various groups' efforts were announced at the inaugural China Region QC Circle Case Study Meeting in October 2008.

The Zhishang Circle from Toyota Boshoku Foshan was chosen from among the eight companies that shared their results at the meeting to represent the China region at the All Toyota Boshoku (China) QC Circle Meeting.

The meeting heard from the various companies about how they were able to analyze and overcome problems using quality control methods despite being novices. It was also a good forum for participants to learn from each other.

We are determined that QC Circle activities will continue to raise the bar of quality at the Toyota Boshoku (China) group.



# Europe & Africa

## Finding major chances in adversity and overcoming challenges to expand our market share in Europe and Africa

As with other regions, the automobile industry in Europe is in a severe situation.

Despite this, the Toyota Boshoku Europe group is gearing up for the future by establishing two new companies. In this section, Toyota Boshoku Europe Chairman Atsushi Toyoshima reports on the group's business in Europe in fiscal 2008 and its future direction.



**Atsushi Toyoshima**, Chairman,  
TOYOTA BOSHOKU EUROPE N.V.

### Gearing up for the future with two new companies and improving the basic strength of our European and African group companies

The current slump in car sales began in Spain in 2007 and subsequently spread throughout Europe; auto manufacturers and auto parts manufacturers have been hit hard. However, from the perspective of the Toyota Boshoku Europe group, which is a late bloomer in Europe and Africa, the current climate is both a challenge and a major opportunity. The Toyota Boshoku Europe group is young, energetic and relishes a challenge. I believe we have the ability and resources to survive the current unpredictability and go on to greater success.

Fiscal 2008 was a truly epoch-making year for the Toyota Boshoku Europe group: it was the year in which the group got its first foothold in the seat-production

market in Europe, the home of car interior design. Also, for the past few years, the Toyota Boshoku Europe group has worked hungrily to lower the cost of production and raise quality. As a result, Toyota Boshoku Türkiye won from Toyota Motor Europe the "Superior Performance Award" for cost management and TBMECA Poland won from Toyota-Peugeot-Citroen the "Top Achievement Award" for quality improvement, thus indicating that we have won the approval of auto manufacturers.

It is my belief that this is the result of a vast improvement in the fundamental strength of the various Toyota Boshoku companies in the European and African region. Moving forward, the Toyota Boshoku Europe group will continue to strive to raise quality and reduce the cost of production in Europe and Africa.



The Grand Prix in the  
cost improvement category



## Winning new clients and helping protect the environment

Our primary task for the short and medium term is to win new clients. To this end, our existing businesses, such as those in Turkey and South Africa, are working actively to improve safety and quality, ensure timely delivery and secure profit in order to expand sales routes.

Meanwhile, no effort is being spared in preparing for the establishment and success of new businesses in France and Poland.

We also consider environmental issues to be of vital importance. The whole Toyota Boshoku Europe group is constantly implementing and improving ecology-related activities. One example of this is the newly-established TBAI Poland, which is aiming to make its plant clean and green.

## Leading the European market interior component with unrivalled design capabilities

Europe cars boast an astounding level of interior design that can only be expected given their long history. If we are to survive in the European market, we must not only be able to compete on function, price and design, we also need to develop and foster our employees potential. It is also our function as Toyota Boshoku's presence in

## Group companies beef up quality and environment efforts for ISO accreditation



In fiscal 2008, the various companies in the Toyota Boshoku Europe group strove for ISO accreditation as part of the group's effort to improve quality and protect the environment.

By July, Toyota Boshoku France had received ISO14001:2004 rating for environmental management systems with a near-perfect evaluation. Not a single area of non-compliance or criticism was received; feedback was limited to suggestions from the inspectors for further improvements. Then, in March 2009, TBMECA Poland obtained ISO/TS16949 accreditation for quality management systems and the aforementioned ISO14001:2004.

All of us at the Toyota Boshoku Europe group remain dedicated to further strengthening our quality and environment in future.

Europe to research the latest European trends and share that information within the whole group worldwide through our Global Mainstay Hub in Japan, in order to promote global expansion.

Our goal for the future is to expand the Toyota Boshoku Europe group's share of the European and African markets and propel the Toyota Boshoku group to its rightful place as the world's premier manufacturer of interior components.



Ceremony to mark the signing of the TBAI Poland deal

## Work begins on new production centers to fully develop our European business

We have established two new companies in Europe with the aim of building an optimal production and distribution framework and shift our interior component business into high gear.

Toyota Boshoku Somain S.A.S, which was established in France in October 2008,

produces car seats. The company was formed when Toyota Boshoku acquired the Sieto Plant of Faurecia S.A., a French automotive seating manufacturer. It is currently preparing to start production of seats for the Toyota Yaris in 2010.

Similarly, TBAI Poland, a joint venture with Aisin Seiki Co., Ltd., was established in January 2009. This plant manufactures seat frames and covering, and is scheduled to deliver its products to the Toyota Boshoku Europe group's seat assembly plants. Operations are scheduled to start in 2011.



A rendering of the Toyota Boshoku Somain plant



A rendering of the TBAI Poland plant



# How the Next-Generation Seat Frames that lead our new product strategy was developed

Toyota Boshoku's next-generation seat frames are lighter, and take fewer processes and parts to build.

The new seat frames are the central part of Toyota Boshoku's future product strategy.

In this section we take a look at how these innovative frames were developed and completed.



## Yuichi Matsui

Manager of Seat Design Dept. 11, Seat Design Div. 1

"We were aiming for the global market right from the beginning with these next-generation seat frames," explains Matsui. "During the pre-development research, we took a close look at the number of parts and the costs of European seats and looked for seat frame specifications that could compete with those. In the end, we set ourselves a target of developing a seat that had 10% less mass and cost 25% less. We wanted to come up with something that our competitors would not be able to match for a while."



## Development preparation began by setting lofty goals; developers aimed to modularize and standardize parts to improve production efficiency.

The idea of developing next-generation seat frames was sparked when Toyota Boshoku was defeated in a European seat manufacturing competition. Up to that point, Toyota Boshoku had designed and produced seat frames based on drawings submitted by auto manufacturers.

Yuichi Matsui, who later headed the development of the next-generation seat frames, recalls: "The competition made it painfully clear that we were well behind the European seat manufacturers. At the same time, we had begun to feel that there was little scope left for developing our young engineers if we continued to make seats solely under instruction from auto manufacturers. That is how we decided to develop our own original product."

Having made up his mind, Matsui and four other engineering designers went to Europe in April 2005 in order to get a clear idea of the differences between European seat manufacturers' frames and the traditional Toyota Boshoku frames. Their studies led to the conclusion that Toyota Boshoku needed to reduce mass by 10% and costs by 25%, and still improve rigidity if they were to compete successfully against their European rivals. They also discovered an inherent weakness in the old Toyota Boshoku seat frames: European drivers found it difficult to settle into a proper driving position because Toyota Boshoku's frames were designed for Japanese people but Europeans tend to be built larger.

Matsui and his team also decided to modularize and standardize the seat frames. Previously, parts were designed and produced specially for each seat frame, so

standardizing parts and using them in different combinations would enable seat frames to be adapted for use in multiple vehicle models. Toyota Boshoku has designed around 250 seat frames in the past so, not only did the company have to make parts exclusively for each one of them, it also had to set up multiple special production lines to do so.

That is why, when the decision was made to design the next-generation seat frame, the decision was made to try and improve production efficiency by standardizing components.

"Our goal is that all future seat frames produced by Toyota Boshoku will be next-generation frames," says Matsui.

## "Once we complete this new frame we'll be top of the world." 50 engineers gather for pivotal project

After a year of preparations, a next-generation seat frame project team was established in 2006. Their aim was to complete the new frame by spring 2009 for use in the new Toyota WISH and PRIUS.

The project team brought together approximately fifty people to work on everything from design and development through to production and evaluation. Matsui explains: "We set up a project team, which we call an obeya, in order to ensure there were clear communication and cooperative work throughout the whole team. When we got together, you could feel the determination among the team members to make the best seat frames in the world."

Given that the project's aim was to make lighter, cheaper, higher-performance seat frames, the team came up with a key concept to inspire their work: the EIS philosophy. The E stands for eliminate, I for integrate and S for simplify.



Lighter and less costly next-generation seat frames

## Masaru Wakayama

Manager of Group 1, Seat Design Dept. 11, Seat Design Div. 1

Wakayama was put in charge of distilling the essence of fifty vehicle models into a single seat frame as well as reducing the total mass of the frame.

"Traditionally, a car seat is made from several hundred components, but we tried to reduce that number as much as possible. We went over the whole structure and, for instance, multiple parts that used to be secured together with bolts were made into a single plate that could be pressed."







### Kenji Kato

Manager of Seat Group 1, Advanced Development CAE Dept.,  
Evaluation and Engineering Div.

"Traditionally, when conducting simulations, weight and rigidity were fine as long as the figures fell within a certain range," says Kato.

"This time, however, the targets were set very high so a much greater degree of accuracy was required than before. Parts had to be exactly the right shape and thickness. I think we ended up doing about a thousand simulations in total before we got it just right."

Other aims of the project were to eliminate wasteful use of materials and to complete the seat frames using the fewest possible processes. And, with that, the project was underway.

Usually, parts are designed by having a designer make drawings which would then be assessed by production engineering staff. But as challenging targets were set for this project, it was decided that the production engineering people would best be involved in the process right from the drawing stage.

"It was tremendously hard work reducing costs and weight without compromising performance," recalls Masaru Wakayama, who was involved with the design.

The team made a concerted effort to reduce costs at the development stage.

The most expensive aspect of development is making and assessing prototypes, so the decision was made to reduce the number of times this process needs to be repeated by using computer-aided engineering (CAE) and performing simulations at the design stage.

"Regular assessment can be done by two or three people," explains Kenji Kato of the Advanced Development CAE Dept., "but this time we needed six or seven, so you can see how much CAE was used in this project."



Designed to fit 50 vehicle models

## Seat frame completed in autumn 2008 after countless conflicts and challenges

While that development work was progressing, others were considering the actual production of the frames. The biggest problem was that the next-generation seat frames would have to be produced in parallel with existing frames for the time being. Even if the next-generation seat frames were adopted for all vehicle models, it would still take four to five

years to complete the switchover.

Therefore, the company would need to build production lines capable of covering existing and next-generation seat frames.

There were many conflicts during development. One was the difference in attitude between the design team and the Evaluation and Engineering Div., which was evaluating seat comfort. Matsui explained that the designers always tended to give priority to minimizing costs and the testers refused to compromise on performance.

"We sure gave those designers a tough time," admits Kazuhisa Takeda of the Evaluation and Engineering Div.

The prototypes were completed by the end of 2007. The following year, those prototypes were put to use as the team

set to work solving the problems that could not be sorted out using design drawings and computer-based simulations. Among those, one particularly thorny problem was the issue of comfort sensation.

"Everyone can grasp quantitative concepts like our goal to reduce mass by 10%," explains Matsui, "but we struggled to achieve a common awareness on more sensory areas like riding comfort."

Still, the team managed to overcome these issues and come up with a next-generation seat frame that met their goals of reducing mass by 10% and costs by 25%. Profile of front seats were made 40mm thinner but still managed to provide back support by including two wires along the line of the latissimus dorsi back muscles. The result was a seat frame that provides a great driving experience through strong support, comfort and safety. Existing materials were used to make the frame, but the team succeeded in reducing the quantity of parts required. They also cut the number of processes required to make the seat frames, for instance by reducing the number of areas to be secured by bolts.

### Kazuhisa Takeda

Manager of the Riding Comfort Group, Seat Evaluation and Engineering Dept.,  
Evaluation and Engineering Div.

Takeda's motto: only seat frames that maintain and improve on comfort can be the best in the world. As with the designers, Takeda sought to make seat frames that eliminated the weaknesses of traditional frames.

"The more we discussed the matter, the more the designers came around to our way of thinking with regards to shapes and structures that took riding comfort into account," recalls Takeda. "But it was a real challenge to come up with a thinner profile seat frame that still helped the driver maintain a proper driving posture."





### Takuji Watanabe

Manager of SE & Mold Design Group, Interior Production Engineering Dept. 43,  
Interior Parts Production Engineering Div. 4

Watanabe was successful in integrating mixed production lines that covered both existing and next-generation seat frames.

"If we are to produce next-generation seat frames globally in the future," he says, "we need to start thinking about how to procure materials and how the frame structure can be easily manufactured in regions other than Japan. These are the kinds of issues we have to constantly review as we reconfigure the seat."

## Aiming for worldwide production and broad sales among auto manufacturers

Once the next-generation seat frames were completed, the project came to a conclusion and the team disbanded. The members of the project team have since returned to their regular duties. Many, however, are still doing what they can to further promote the next-generation seat frames. Takuji Watanabe from Production Engineering is one of them. He is currently looking into the requirements for producing the next-generation seat frames at Toyota Boshoku's Asian and European production bases.

"We are aiming to have the next-generation seat frames adopted for use in all models of Toyota Motor Corporation," asserts Matsui. "At the same time, we want to market the seats to other auto manufacturers around the world—not just the Japanese makers."



A more efficient production line

"But to achieve that goal, it is imperative that we improve the components, so I am going to work on that. We can also assume that our competitors will be working hard to catch up with us now that the next-generation seat frames have been made public. We will endeavor to constantly upgrade the frames so we don't lose our competitiveness."

## Development of next-generation seat frames contributed to growth of designers, young and experienced alike

Matsui delegated the design of the next-generation seat frames to Masaru Wakayama, Masahiro Fujieda, Tomoaki Yamamoto and Akira Yamazaki. Fujieda is in his late thirties; Yamamoto and Yamazaki in their early thirties. Matsui explains: "The next-generation seat frames were a new idea so, instead of picking all the "best" designers, I wanted people who could think outside the box."

This was the first time Yamazaki played a leading role in a design project. "One lasting impression is from when I suggested changing the shape of the front panel of the front cushion. This resulted in more effective use of materials and better production efficiency. I was really happy that a suggestion of mine could make a contribution to improving production."

Fujieda and Yamamoto designed the frames for power seats, which can be moved forward and backward electrically. "It was hard to commonize the parts of manual and power seat frames," recalls Fujieda. Structural differences between the two mean they have traditionally been designed as two different entities, but that concept was turned on its head when the commonization of parts was made a central point of this project. There were many challenges to overcome with regards to cost, frame mass and strength, but the gains were significant, too.



**Masahiro  
Fujieda**



**Tomoaki  
Yamamoto**



**Akira  
Yamazaki**

Group 1, Seat Design Dept. 11, Seat Design Div. 1

"It was a thrill to see my drawings made real as prototypes," says Yamamoto, who is now working on eliminating motor noise. "The expensive motors available out there are very quiet but we wanted to keep costs to a minimum, so we were developing seat frame structures in order to minimize noise generated by existing motors."

This project has been a learning experience not only for the young and mid-career designers. It has also changed team leader Matsui's way of thinking. "Some of us used to think that Toyota Boshoku was allowed to design seat frames as requested by the auto manufacturers," he says.

"But this project has shown that we need to change, and to offer our own designs for use by the car makers."





# "Cars need to be redecorated, too." "La Seat" brings women's touch to seat design.



## Individuality: the key word as lady designers inject new ideas.

*La Seat* was born of women's touch. After all, we redecorate our rooms, so why not our cars?

The name *La Seat* was taken from the Japanese *jibun rashii*, which refers to individuality, and the concept was instantly recognized for the sense of fun it encapsulated and adopted for Toyota Motor Corporation's new *decorateur-createur\** project. The project targets the consumer demographic that pursues a unique lifestyle true to individual values. It aims to get people as interested in their cars as they are in things like fashion and cuisine. *La Seat* is positioned to appeal to such people because it can be redecorated according to taste.

## Design sensibility and easy-to-change covers without compromising seat function and comfort

*La Seat* was developed using the whole spectrum of technology built up by Toyota Boshoku over long years of experience. It took all that know-how to overcome two challenges:

*La Seat* had to be easily redressed and the covers had to fit the seat snugly.

These issues were eventually resolved by attaching fasteners to the seat and the cover, thus allowing the seat cover to be changed at will, and by innovating with the structure and process to enable rubber bands to be attached to the reverse side of the seat cover so that it fits the contour of the seat. When not using a cover, the fasteners on the seat can be stored within the seating surface in order to ensure driver and passenger safety.

The materials were a combination of function (as required for the vehicles themselves) and unprecedented

colors and textures such as French turquoise and lame, as well as a fluffy texture to make the surface feel better to the touch. The result is a fabulous seat that maintains full function and comfort while incorporating a high level of design sensibility and allowing seat covers to be changed easily.

The 8<sup>th</sup> Tokyo Girls Collection, held on March 7, 2009, was a golden opportunity to release new *La Seat* covers

The latest word in car seats with changeable covers, *La Seat* was adopted for Toyota's *Chambre à Paris* collection, the special edition model Yaris. *La Seat* was planned and developed chiefly by the women on Toyota Boshoku's design team.



developed in collaboration with noted designers, and they were the center of attention.

Toyota Boshoku has plans to add new designs to the line-up and expand the range to include rear seat and back seat covers, thus further expanding the possibilities to turn your car into a statement of individual style, decked out to your unique taste.



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Management Association leads efforts to repair Indonesian elementary schools

The Toyota Boshoku group's business and social activities worldwide are based on the basic corporate philosophy that the group must promote corporate growth while fulfilling our responsibilities as a good corporate citizen. This section is a report on the company's efforts to meet the expectations and earn the trust of our stakeholders during fiscal 2008.

# Our Involvement with Society



## CSR means contributing to society through manufacturing and continuing to be a good corporate citizen

The Toyota Boshoku group considers it very important to maintain good relations with all stakeholders. We strive to do this through our manufacturing activities; compliance with laws, regulations and ethics; and making a contribution to our local communities. This section is a report on our efforts to perform our corporate social responsibilities (CSR) in accordance with that philosophy.



**Hiroyoshi Ono**, Executive Vice President

**Our CSR activities are founded on dedication to our core manufacturing business and to meeting society's expectations**

Toyota Boshoku's stance and attitude toward manufacturing are identical to the Toyota Precepts, which set forth the philosophy espoused by founder Sakichi Toyoda. Indeed, it constitutes the same fundamental mindset that underpins the Toyota Boshoku group worldwide.

Firstly, we aim at contributing to local communities and economies by making good products at affordable prices. We believe it is our responsibility as a company to make a profit on those manufacturing activities and pay taxes on those profits.

We also believe we have a role to play as a good corporate citizen, and that, as a part of society, we must act in a way that is beneficial to society. Primarily, this means complying with laws and ethics, but it also means we must make a contribution to our local communities, world wide.

In order to be recognized as an outstanding corporate group, it is imperative that we meet the expectations of all stakeholders. Indeed, the Toyota Boshoku group's CSR activities are founded on dedication to our core manufacturing business and to meeting society's expectations.

**Strengthening the framework that allows us to perform our CSR on a global scale**

In fiscal 2008, the Toyota Boshoku group worked hard to establish a framework for CSR activities on a global scale. The company has production centers all over the world, so we must work just as hard to be a good corporate citizen outside Japan as at home.

The Toyota Boshoku group divides business units outside Japan into regions—North & South America; Asia & Oceania; China; and Europe & Africa—and has a Regional Management & Collaboration Hub(RM & CH) in each of these. We established a framework for performing our CSR within the various regions by setting up a CSR Committee within each RM & CH to provide leadership on how to best carry out CSR activities within the pertinent region.



Fiscal 2009's intake of new employees helps with reforestation efforts

We are also reinforcing our Japanese CSR system by installing CSR Committees in Toyota Boshoku's Japan group companies to supervise each company's CSR activities.

Compliance is a large part of CSR. We believe compliance means obeying the law in letter and in spirit, and behaving in a way that meets the expectations of society. To ensure thorough compliance, it is important to have a solid compliance framework, and the Toyota Boshoku group has reviewed basic work processes and set up just such a framework that provides manuals for day-to-day work and standardized work processes that, when followed, will lead to compliance. Moving forward, we intend to continually improve and strengthen this system.

Furthermore, our companies have committees specializing in a range of issues such as employment management, safety and health, information management, environment management, subcontracting and antitrust laws, quality, intellectual property and advance transaction management. Through these, we are able to check that the various departments of our companies are complying with the rules in the course of their daily work.

A prominent example of our contributions to the community is our help with reforestation in Kashimo, Nakatsugawa City, Gifu (more details on p.33 / 34). The Toyota Boshoku group's social contribution activities are unique in that our employees are actively involved, and we plan to pursue these activities actively in future under the themes of youth development and environmental conservation.

Other notable achievements in fiscal 2008 include the completion of our Global Learning Center, where we have already begun training and strengthening the global Toyota Boshoku group workforce, as well as the establishment of the Toyota Boshoku Academy, where we plan to nurture the future front-line leaders of the manufacturing industry. We intend to make effective use of these assets to develop our workforce and create strong workplaces.

**Fiscal 2009 will be dedicated to better risk management and ensuring compliance with human resources laws**

The Toyota Boshoku group's priority issues for fiscal 2009 will be strengthening risk management and ensuring compliance with human resource laws. A thorough accounting of the risks the group faces and what is being done to counter them has already been conducted. Now



The Toyota Boshoku group holds an annual Technical Skills Contest as a means of raising technical standards

we will get to work resolving the issues identified.

We will also be working to ensure compliance with human resources laws as we strive to offer our employees challenging yet rewarding work and a suitable work-life balance, redoubling our efforts to promote the advancement of our female employees and the hiring of people with disabilities.

If Toyota Boshoku is to be recognized by our local communities — and, indeed, the world — as a good corporate citizen, we must keep up our CSR activities. We remain dedicated to expanding and strengthening our CSR framework and injecting further energy into performing our corporate social responsibilities.

**A complete evaluation of CSR activities — including risks — provided a clear picture of what needs to be improved**

In an effort to get a clear picture of Toyota Boshoku's CSR activities and the challenges that need to be overcome, a CSR Self-Evaluation Sheet was made to conduct a thorough review of CSR activities. The review was conducted by having the relevant company departments submit their self-evaluation to the Audit Improvement and Legal Affairs Departments for assessment, and implementing any recommended improvements.

It became clear that all departments were taking a certain level of action in most categories included in the evaluations, but there were still some areas in which the rules remained undocumented, and others in which CSR activities were not performed regularly. We are determined to overcome the issues highlighted by the evaluations.



The Toyota Boshoku group's reforestation activities are conducted on a global scale and are a great way to help protect the environment as well as interact with the community.



The Toyota Boshoku group has a Global Social Contribution Program through which it endeavors to make a contribution to environmental protection. One of the main activities of the program is reforestation in places such as Indonesia and Thailand, as well as Japan. In this section, we will look at the Toyota Boshoku group's reforestation efforts in partnership with local communities.

### Working to restore forests with local people and organizations

The main aims of the Toyota Boshoku group's reforestation activities are: (1) to protect tropical and natural forests; (2) to counter floods and provide river management measures; and (3) to prevent desertification and global warming.



On participating in Toyota Boshoku's reforestation program

Japan International Forestry Promotion and Cooperation Center  
**Hisaharu Hayashi,**  
Senior Coordinator

I have the privilege of providing my expertise to the reforestation activities in Indonesia. Our efforts are having an effect—the forest is gradually recovering—and the locals, who had no previous tree-planting experience, are learning the importance of protecting and nurturing forests.

From an environmental protection perspective, the rapid shrinking of forests, particularly the tropical forests of Asia, is a major concern. We have concluded that tree-planting is an effective way of countering that trend. Our reforestation activities

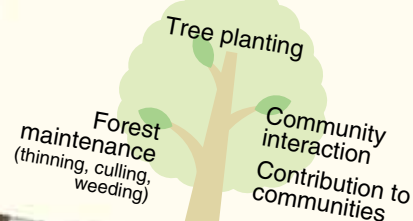
began in Indonesia in 2006. Here, we aim at planting 150 hectares of native trees in Bromo Tengger Semeru National Park over a period of five years to 2010, thus helping restore the ravaged bush and protecting water resource recharge areas—not to mention creating jobs for local people.

Needless to say, simply providing support for tree-planting over a definite period is not enough to resolve these weighty problems. That is why we feel it is important to implement programs that develop organizations made up of local people who can take over and continue reforestation efforts independently once our Global Social Contribution Program activities in the area have concluded. To this end, we work closely with local volunteers and NGOs. In Indonesia, the Toyota Boshoku group members, Toyota Boshoku and PT. Abadi Barindo Autotech, have teamed up with the Bromo Tengger Semeru National Park management office at the Ministry of Forestry's Directorate General of Forest Protection and Nature Conservation, as well as the Japan





### ■ Toyota Boshoku group's reforestation activities



International Forestry Promotion and Cooperation Center (an NGO) and LEMS21 (an Indonesian NGO).

### It is not just about trees and forests; we are also focused on educating local youth

Back in Japan, a model project among the Toyota Boshoku group's reforestation activities — Eco-forest of the Toyota Boshoku group in Kashimo — began in January 2008. Set in the Kashimo area of Nakatsugawa City, Gifu, the project involves tree-planting and forest maintenance. It is also an ideal opportunity for an ever-widening variety of interaction with the people of Kashimo; for instance, the Toyota Boshoku women's basketball team members are enthusiastic coaches for junior high school teams in the region. Kashimo locals were invited to take part in Toyota Boshoku's Global Ekiden relay road race.

As the Kashimo example shows, the Toyota Boshoku group's reforestation activities

are centered around its production centers and the group's employees are proactive participants. They are also a forum for interaction with our local communities and an opportunity to educate our employees about the environment.



#### On participating in Toyota Boshoku's reforestation program

Forestry Women's Group,  
Ena Kobushi

**Sumi Umeda**, Chairman

We are very grateful for the tireless efforts of the Toyota Boshoku staff who helped with the reforestation of Kashimo. We hope that those who planted trees and helped weed and thin forests will drop by and see how those trees are growing and how the forest is taking shape.

### Kashimo serves as a model for the expansion of reforestation activities in Kyushu and Thailand

The Toyota Boshoku group has plans to use the Kashimo reforestation project as a model for the expansion of the activities in a few other places in Japan. In fact,

#### On participating in Toyota Boshoku's reforestation program



General Administration Dept., Business Div.,  
Toyota Boshoku Kyushu Corporation  
**Kazuhisa Tanikawa**, Administrator

I took part in the reforestation activities in Kanzaki City, Saga. My job was pruning. It was a good opportunity to learn a bit about forestry; one of the things it taught me was that forests tend to fall into ruin if abandoned. I hope to participate in reforestation projects worldwide if I get the chance.

#### On participating in Toyota Boshoku's reforestation program



Chief of Rayong Provincial Natural Resources and  
Environmental Office  
**Wichai Udomsriwat**

Thailand is no exception to the trend of forest destruction, and a collective effort is needed to protect our bush land — not just by the government, but by the corporate community and citizenry as well. I am glad the Toyota Boshoku group has proved to be so well aware of the importance of such projects. I have high hopes for the group's future reforestation activities.

Toyota Boshoku Kyushu has already agreed on a Corporate Reforestation Agreement with Kanzaki City, Saga and began reforestation activities in January 2009. We are also planning expansion to include Miyagi, Shiga and Aichi prefectures as well.

Meanwhile, overseas, the companies of the Thailand Toyota Boshoku group have already begun reforestation activities in Nikhom Patthana, Rayong Province. Plans are afoot to further boost these activities with a view to expanding them to include China and the ASEAN countries.

Rather than simply have the Toyota Boshoku group take the lead with reforestation activities, we hope to see more of our group companies take the initiative like Toyota Boshoku Kyushu and the Thailand Toyota Boshoku group have done.

In either case, the Toyota Boshoku group is dedicated to using its global reforestation activities to make a contribution to environmental protection and promoting interaction with its local communities. We will continue to work hard to build a framework to pave the way for locally-based ongoing reforestation projects.



## Corporate Governance System

In order to maintain good relations with stakeholders around the world, the Toyota Boshoku group reveals and perform our responsibilities; promote initiatives that meet society's expectations; and comply with laws, regulations and ethics.

### Corporate Governance

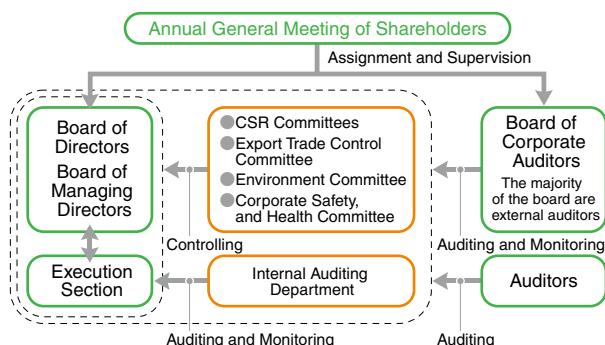
To maintain the trust of all our stakeholders, Toyota Boshoku has prepared a group-wide governance system enabling us to respond rapidly to changes in the business environment as we endeavor to ensure sound, transparent and highly efficient business practices.

#### ● Corporate governance system

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

**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 as well as monitor the administrative activities of directors, the administration and the financial affairs of the group's subsidiaries. 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

The Toyota Boshoku group established the TB Way, which clearly expresses the group's managerial convictions, values and principles of behavior to foster a sound corporate culture. It also ensures thorough adherence to

the Toyota Boshoku group Code of Conduct—the 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 group business sites and evaluating the effectiveness of internal controls. Audit results are reported to top executives, and the Internal Auditing Department also receives advice from auditors and cooperates with auditors in the conduct of auditing activities.

#### ● Disclosure

The Toyota Boshoku group 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. We are also enhancing investor information on the company's website.

### 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 of the whole group to put into practice a behavior with good sense and awareness.

#### ● 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

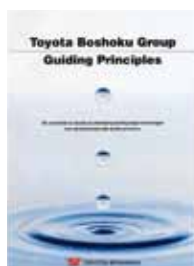


the environment, implement improvement activities designed to ensure compliance with relevant laws and regulations.

The group companies push forward the development of their own compliance systems. At the same time, they undertake initiatives and hold training sessions among themselves and work on compliance activities as a unified group. In fiscal 2008, we built a structure for Security Trade Control system and handed in our Compliance Program to the Ministry of Economy, Trade and Industry for approval. We are encouraging our subsidiaries to join this activity. Education on trade control is conducted as needed.

### ●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 works to ensure its penetration throughout the group through education and training sessions. In addition, the Toyota Boshoku group Code of Conduct is translated into various languages wherever needed.



Code of Conduct  
(English Version)

### ●Compliance education

The Toyota Boshoku group 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.



Compliance lecture

In the Corporate Ethics Reinforcement Month in fiscal 2008, approximately 140 people from the group attended a compliance lecture held at the Global Mainstay Hub in Kariya. We also conducted a compliance training session for newly-appointed executive officers in July.

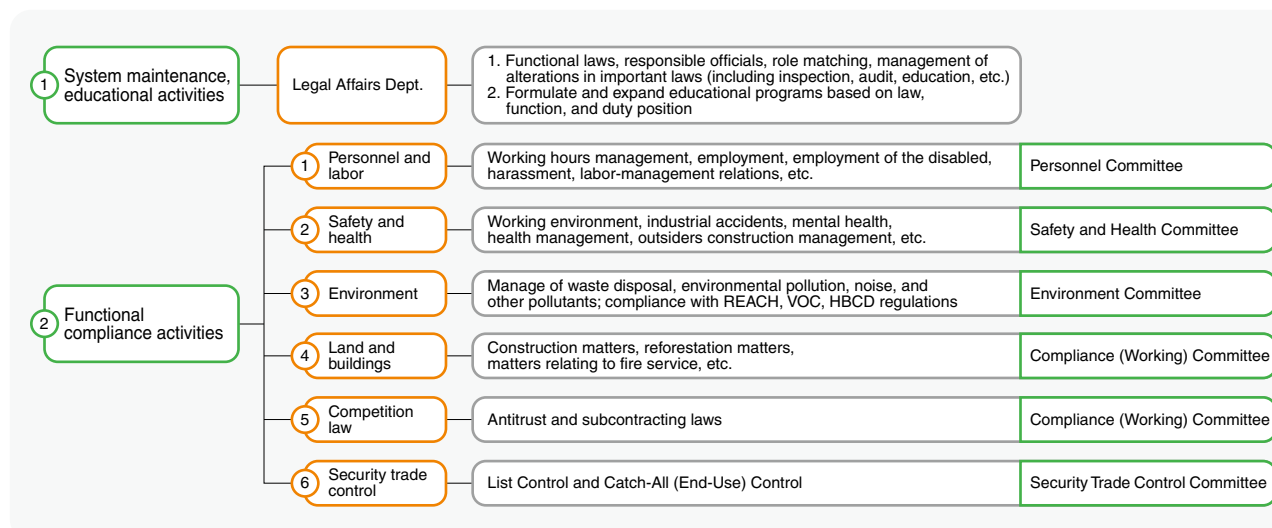
### ●Firm establishment of compliance

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 2008, 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 recommendations 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 2008, these contacts received approximately 600 consultations and/or reports.

#### ■Compliance promotion system



## Risk Management

The Toyota Boshoku group has established a Risk Management (Working) Committee to predict and prevent incidents, and to promote activities to minimize the impact should a crisis occur. In fiscal 2008 we established the basis of the organization. We worked to ensure thorough group-wide familiarity with risk management and to promote the establishment of a common base. Specifically, we formulated new Crisis Management Regulations; we established systems and organizations to implement preventive measures and for handling incidents if they occur.

In addition, we prepared a Crisis Management Guidebook covering the main anticipated risks. Furthermore each company of the group prepared its own Crisis Management Guidebook and worked to familiarize staff with the specific procedures for handling risk.

### Basic risk management policy

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

### ■ Toyota Boshoku group's risk management promotion system

#### CSR Committee

Chairman: President (meetings: 6/year)

#### Risk Management (Working) Committee

Chairman: Executive officer (meetings are held as needed)  
Main division: General Administration Div.

Toyota Boshoku functional divisions

Japan group companies representatives

Regional Management & Collaboration Hubs  
(North & South America;  
Asia & Oceania; China; Europe & Africa)

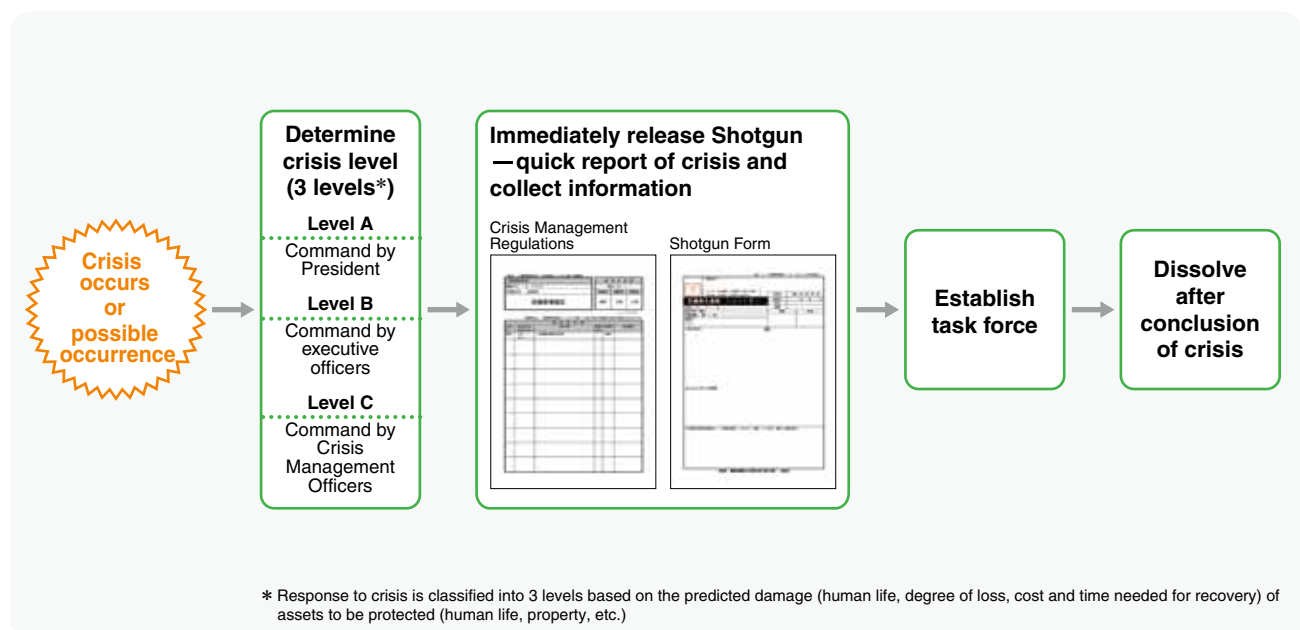
#### Compliance (Working) Committee

#### Social Contribution (Working) Committee

### ● Future risk management

In fiscal 2009, we will work on reinforcing the framework of the risk management system by identifying the important items from a range of risks. We will consider and implement procedures for a more comprehensive response. In addition, we will further improve the content of the Crisis Management Guidebook and raise the level of crisis management consciousness by holding training for representatives from all divisions.

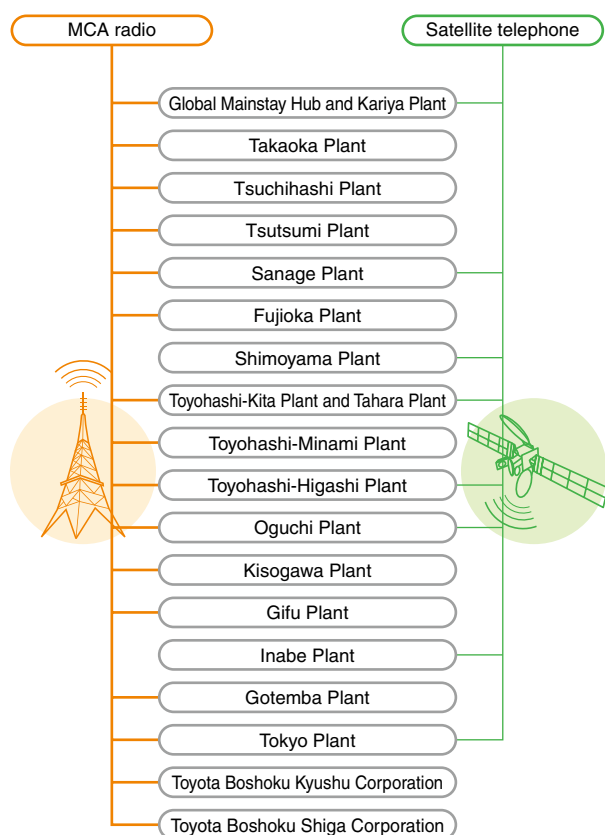
### ■ Initial response in crisis management



## ●Emergency contact network

Toyota Boshoku has established a disaster prevention network linking all plants and offices in Japan using MCA radio system\* for emergency communication. Plants and offices located outside the MCA radio area are covered by a satellite telephone network. In addition, we are working on establishing a network for business units outside Japan, based mainly on satellite telephone.

### ■Emergency contact network in Japan



## Security Control and Security of Information

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

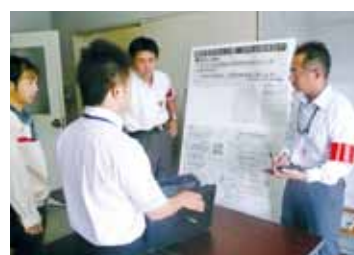
### ●Organization

At Toyota Boshoku, the General Administration Div. which oversees other divisions and the Technical Administration, Production Engineering R&D,

Production Control as well as Information Systems Divisions cooperates to conduct security and information security management. In accordance with the Security Control Regulations, the company works consistently to raise the level of security management by enforcing the rules, preparing manuals and conducting voluntary audits. For employees, we have prepared a leaflet entitled Key Points for Security Control. It is a simple summary of how to minimize risks involving information and how to handle information equipment. For example, taking a PC out of the company without permission is prohibited. With this leaflet, the company is working to raise the awareness of all employees and to ensure that security management is carried out as a matter of course.

### ●Initiatives in fiscal 2008

In fiscal 2008, we established a company-wide security organization, put in place regulations, identified and classified confidential information and expanded the areas where an ID is required for entry. In addition, during the Security Control Enforcement Months (May and October), we used posters to raise awareness and held inspections to ensure that no equipment left the premises, that PCs were locked with wire, and that security software was installed.



Inspecting belongings during Security Control Enforcement Month

### »» On preparing the Crisis Management Guidebook

**We want to improve the content of the Crisis Management Guidebook for dealing with diversified risks.**

**Motoaki Mizukoshi,**  
Security and Vehicles Group,  
General Administration Dept.2 General Administration Div.



This is a specific code of conduct for employees when an incident occurs. It goes without saying that human life has first priority, and we worked with the relevant departments to prepare this guidebook to help limit damage as much as possible. In order to respond to future diverse risk, we will continue to develop the content, focusing on the important divisions and businesses and improve the guidebook so that it can point the way to recovery.

\* MCA radio system: A Japanese business radio system using multi-channel access  
It does not use public telecommunication networks so it is not affected by disruption of public networks in a disaster



## Our Involvement with our Customers

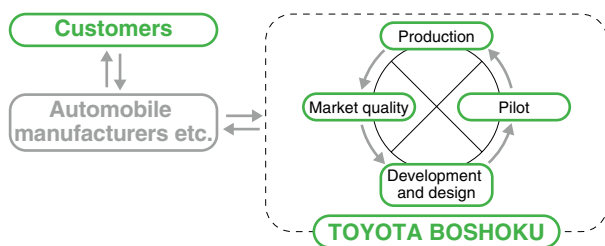
Our manufacturing pursues the satisfaction of both automotive manufacturers and end-users. We continuously strive to improve quality in order to meet customer expectations.

### ●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 establishing our improved quality assurance system.

### ●Quality assurance system

We are allowed to know the requests and complaints from customers, through automobile manufacturers without delay. In addition, we also seek to gain access to the opinions of customers in each regional market through *genchi-genbutsu*\*, by placing locally resident employees. The information we obtain improves current products, but more importantly, our findings will serve the purpose in the design themes for next-generation models, so that we can respond to the customer requests.



### ●Jikotei-kanketsu

*Jikotei-Kanketsu* is a concept which prevents not only the shipping of defective products, but also prevents the very creation of defective products. The Toyota Boshoku group works together with suppliers to assure quality in each process based on the motto of "Decide, comply, and

check." Since fiscal 2008, we have begun to share the *Jikotei-kanketsu* idea of the production section with development and production preparation members in order to achieve further *kaizen*

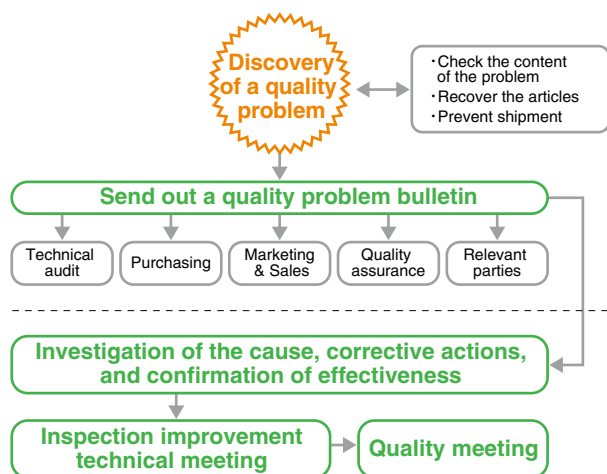


Quality Exhibition

activities. In addition, at our quality exhibitions in Japan, information material is distributed to visitors, which include our overseas group companies. This creates increased understanding.

### ●Evaluation that accounts for 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 accounts for both the frequency with which the customer will use the product in one year and the method of use. Furthermore, we work to decrease cost and quality loss. We also conduct product inspection to check performance, functionality and even flaws and dirt on products in the production lines.



### ●ISO / TS 16949 certified

ISO/TS 16949 certification is the quality management system of the European and American automotive industry that eliminates waste and error. In order to improve the quality and the efficiency of work, the Toyota Boshoku group obtained this certification at four domestic plants and 20 overseas companies. The certified plants and businesses conduct yearly internal audits in an effort to ensure continuous improvement. In fiscal 2008, TBMECA Poland was newly certified.

One more company was certified in fiscal 2008

●TBMECA Poland Sp. z o.o.

## Our Involvement with our Shareholders and Investors

We actively communicate with shareholders and investors, while advancing corporate value through our business activities.

Our dedication will continue to meet expectations that are the basis for their support and trust.

### ● Our basic viewpoint

The company regards the distribution of profit to shareholders and investors as an important management policy. Accordingly, we make efforts to enhance and strengthen our corporate structure and confidently expand our business. Pursuing improved corporate value through long-term, stable growth, Toyota Boshoku will also ensure management transparency by disclosing business and financial information in a timely and appropriate manner.

### ● Fiscal 2008 distribution of profit

Performance of fiscal 2008 is shown on page 67.

As mentioned earlier, the company always strives to distribute stable profit to its shareholders and investors to meet their expectations. Based on this management policy, cash dividends for fiscal 2008 were decreased by 15 yen from the previous year to 20 yen per share (annual). Moreover, return on equity (ROE), an indicator of a shareholder's investment, was recorded with a decline of 2.9%.

### ● Communication with shareholders and investors

#### ■ Briefings for analysts and investors

Toyota Boshoku regularly holds results briefings with the company president and executive officers in order to aid analysts and institutional investors in understanding the company's financial situation and business strategies. In fiscal 2008, two briefings took place: one was after the second quarter of the year and the other was after the year end. A number of analysts and institutional investors attended these briefings. Furthermore, small meetings and interviews were held as necessary for analysts and institutional investors.

The company actively participated in IR fairs and seminars for individual investors, such as the Nagoya Stock Exchange IR Expo 2008 (July 18-19, 2008). These are opportunities to communicate with individual investors.



Nagoya Stock Exchange IR Expo 2008



Seminar for individual investors

#### ■ Plant tour for shareholders

At a general meeting of shareholders held on June 20, 2008, Toyota Boshoku invited 50 shareholders to tour our Kariya Plant. The tour participants observed the oil filter assembly process.

Also, at an analyst meeting held on August 27, 2008, 23 analysts were invited to the Sanage Plant to view the fine hold stamping (FHS) process for the round recliner, a functional seat part. The tour provided the analysts with an increased understanding regarding Toyota Boshoku's business operation and its initiatives for technical development and production processes.

#### ■ Disclosing shareholder and investor information via the company's website

Toyota Boshoku is committed to fair and prompt information disclosure. The company's website 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 on the website while they are released to stock exchanges and media organizations.



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

#### ■ Main IR activities in fiscal 2008

Target	Activity	
Institutional investors, analysts	Results briefings (semiannually)	Analyst meetings
	Individual visits	Acceptance of interviews
Individual investors, shareholders	IR fairs (Nagoya)	Company information sessions for individual investors

#### »» Overseas investor relations activities

#### We actively approach foreign investors.

Hiroki Ichihara,  
Public Affairs Dept. 2, Public Affairs Div.



In addition to issuing the Toyota Boshoku Reports in English, we actively accept IR interviews from overseas and promote investor relations activities for foreign investors. Future efforts will include the increase in publishing of English information.

## Our Involvement with our Suppliers

Using fair and equitable procedures, we purchase parts, raw materials and equipment from a large number of suppliers throughout the world. We will continue our high quality manufacturing and environmentally responsible efforts through cooperation with our suppliers. Together, we will grow by putting in practice the spirit of mutual benefit.

### ●Our basic viewpoint

The Toyota Boshoku group works to procure reasonably priced, high quality items in a timely manner through fair and open transactions for the mutual benefit of all involved companies. At the same time, through cooperation with our suppliers, we aim to meet our social responsibilities towards environmental protection and other important issues.

### ●Legal compliance

We comply with antitrust and subcontracting laws as a matter of course, and regard compliance with labor and environmental laws as the foundation of our corporate activities. The company has established compliance topics for important areas and drawn up action plans. It promotes observance through committees.

The Toyota Boshoku group Code of Conduct specifies a code of behavior for procurement activities that achieve trust and respect in our relations with suppliers. Members of the Toyota Boshoku group pledge to behave in accordance with these guidelines.

In fiscal 2008, the company held twice workshops on subcontracting law lead by outside instructors. Members of the supplier group also participated in these workshops.

### ●General Meeting of Global Suppliers

Every year the company holds a General Meeting of Global Suppliers for its principal suppliers to explain the business environment of the company and its current direction. This is held in order to gain their understanding and cooperation regarding procurement policy. The fiscal 2008 meeting was held on May 29. In addition to communicating our procurement policy, the company took the meeting as an opportunity to strengthen cooperation with suppliers on issues such as environmental standards, quality, cost, technology and CSR.



General Meeting of Global Suppliers

### ●Global Supplier Parts Tracking Team (SPTT) Activities\*1

The study of an optimal procurement system is necessary to ensure smooth supplier parts procurement by achieving benefit from all aspects of procurement, including quality, quantity, price, distribution and timely delivery. Our SPTT activities are globally performed to encourage frequent communication between suppliers and each relevant

department, in order to solve Quality, Cost, Delivery (QCD) issues with suppliers. Examples of such issues include whether parts are supplied to each factory in a timely manner and whether high quality parts are supplied constantly.

### ●Green procurement and purchasing

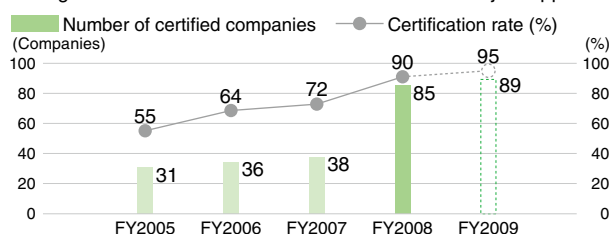
At all our plants, the Toyota Boshoku group strives to purchase parts and raw materials with little environmental impact from environmentally responsible companies. The company regards the development and provision of environmentally friendly products and the pursuit of the world's cleanest plants as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

### ●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 2008, 85 of its 94 major suppliers have acquired the ISO 14001 certification, pushing the acquisition rate up to approximately 90%.

Moreover, the company is stepping up its efforts to comply with various environmental regulations. We are working actively with suppliers to ensure compliance with the REACH regulation\*2 (a European regulation on chemicals).

■Targets and results for ISO 14001 certification at major suppliers



■Supplement: ISO14001 certification acquisition

	2005	2006	2007	2008	2009(Target)
Supplier companies	56	←	53	94	←
Certified companies	31	36	38	85	89
Certification rate	55	64	72	90	95

Suppliers strongly increased from 53 companies in 2007 to 94 companies in 2008 because company members of the supplier group (Sunshine), which are also applicants for the certification, increased.

\*1 Supplier Parts Tracking Team (SPTT) activities: Tracking the production and manufacturing preparation of supplier parts as a team

\*2 REACH regulation: A regulation on Registration, Evaluation, Authorization and Restriction of Chemicals, enforced in Europe in June, 2007



## Our Involvement with our Employees

We strive to build a workplace environment where every employee feels their job challenging, and can work with both peace of mind and vitality.

### Safety and Health

#### ● Basic Safety and Health Policy; Development of Global OSHMS

Ensuring a safe and secure workplace 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 (North & South America; Asia & Oceania; China; Europe & Africa; and Japan), the company undertakes a range of safety activities with the aim of creating workplaces where employees can work with peace of mind. In fiscal 2008, we organized safety and health activities based on OSHMS\*<sup>1</sup>, risk assessment\*<sup>2</sup> on new equipment and operations. We began safety inspections. We also endeavored to strengthen the safety and health system by building an organized structure and actively nurturing human resources through activities such as training sessions for safety and health staff of the five continents.



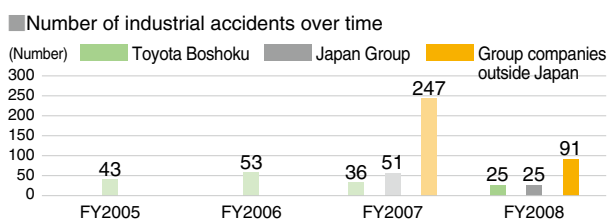
Asia & Oceania  
Risk Assessment Education



North & South America  
Safety Staff Training Workshop

#### Basic Safety and Health Policy

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



#### ● Preparation to establish the Anzen Dojo

At Toyota Boshoku, the number of industrial accidents has been falling each year thanks to safety and health activities. However, a considerable number of accidents

still occur due to negligence by workers of basic conduct and rules (unsafe actions). From 2008, in our efforts to build a safety culture, we began preparations to establish the *Anzen Dojo*. *Anzen Dojo* is a measure to help implement safer conduct through basic training. In July and November 2009, we will establish and activate *Anzen Dojo* in all plants.



Anzen Dojo

#### ● 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 medical staff work together to support efforts in maintaining and improving physical and psychological health.

#### Prevention activities to promote health

The company has arranged for industrial doctors and nurses to educate and encourage employees with lifestyle related diseases or symptoms of such diseases, to take responsibility in preventing illness or further deterioration occurring in their daily lives. In addition, we are working hard to raise health awareness among the workers through periodicals published by clinics or healthcare rooms. Educational activities are organized by the workplace safety and health committee.

#### Mental health diagnoses

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 room. Moreover, it is working to improve workplace environment by statistically processing the data, analyzing the degree of health of organizations and comprehensively ascertaining the status of health within the company.

In fiscal 2008, mental health diagnoses were given to approximately 2,300 people in administration/production and other divisions. The company aims to give these mental health diagnoses to all divisions by fiscal May 2009. Additionally, we offer rank-based mental health educational classes and lectures by industrial physicians.



Mental Health Talk

\*1 Occupational Safety & Health Management System

\*2 A series of activities to find, eliminate and reduce potential danger or hazard at workplace

## Development of human resources

### ● Global Learning Center

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



Global Learning Center

training of employees from overseas affiliates. It is also equipped with welfare facilities, such as a restaurant and a lounge, which serve to promote communication among our employees.

### ● Toyota Boshoku Academy

In April 2009, Toyota Boshoku established the Toyota Boshoku Academy, where we plan to maintain and further improve our strong manufacturing base. We want to nurture the future manufacturing leaders in our workplace. At the academy, employees will acquire knowledge on how to see the principles of issues and learn to put this



Establishment of the Toyota Boshoku Academy

knowledge to good use. The academy also provides education to train both body and mind in order to cultivate a well-mannered and cooperative workforce.

### ● Trainee system (to nurture human resources who can perform actively on a global level)

Following the rapid expansion of business worldwide, Toyota Boshoku started implementing a trainee system from fiscal 2005 to cultivate human resources that can perform actively on a global level. We send young, promising employees to the group's overseas affiliates so that employees may learn how the business operates, through experiencing the *genchi-genbutsu*\* principle, while at the

same time, acquiring communication and other necessary skills. In fiscal 2008, we sent 7 employees for training overseas.

## Labor-Management Relations

Toyota Boshoku seeks to foster excellent labor-management relations based on mutual trust and mutual responsibility. In an effort to maintain and improve good labor-management relations, we endeavor to create a safe and vibrant workplace through dialog between labor and management. Subjects can be pay, work policy, production, safety or a wide range of other issues.

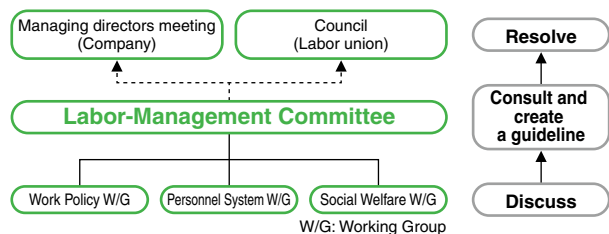
### ■ Major meeting body

Place for consultation	Place for exchanging opinions	Place for subject-based discussions
Labor-Management Council	Labor-Management Round Table Conference	Production Committee
Labor-Management Committee	Workplace Labor-Management Round Table Conference	Safety and Health Committee and other committees

### ● Labor-Management Committees

We have established Labor-Management Committees for consulting and discussing topics such as review of work policies, pay, social welfare and so on. The company plays an active part in this initiative.

### ■ Organization chart of Labor-Management Committees



>>> ICT system (a system in which employees from overseas affiliates are welcomed for training in Japan)

**I will apply my learning in Japan as a TPS promotion leader.**

Tianjin Intex Auto Parts Co., Ltd.  
Jiang LiQun



Toyota Boshoku's internal transfer system allows employees from overseas affiliates to transfer to its office in Japan in order to promote the localization of overseas bases. Through using this and an ICT system, I gained a lot of good experiences in Japan. Even though I was here for only 1 year, I learnt a lot through the *genchi-genbutsu*\* principle, such as Japan's advanced technologies and TPS (Toyota Production System) operations. I will pursue my dream to work actively as a TPS promotion leader first in Tianjin, and then in all regions of China.

## Respecting Individuality and Humanity

The Toyota Boshoku group strives to ensure that individuality and humanity of our employees is respected, in accordance with our corporate philosophy and the "TB Way". We do not advocate discrimination, defamation or other such improper conduct based on race, gender, age, nationality, religion, disability, sickness or injury. As a global corporate group, we strictly respect the laws and social regulations of other countries and regions. We forbid the use of child or forced labor.

Employees and their families can seek consultation on concerns from the Anything Goes Counseling Office set up within the company, or report issues through designated attorneys outside the company. We have a well-organized system for our employees to resolve concerns they may have without reservation.

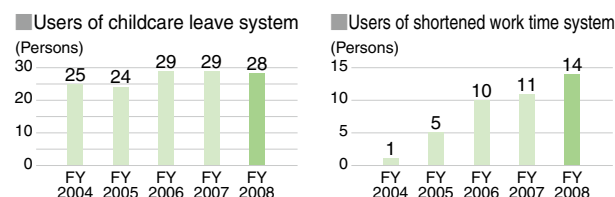
## Respecting Diversity

### ● System to support the balance of work and childcare

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

Age of child	System to support the balancing of work and childcare	
Pregnancy and birth ~ Up to the first birthday (0-1 year old)	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)
	Breaks for childcare	Twice per day (30 min each) in addition to set breaks
Up to the third birthday* (0-3 years old)	Parental leave	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 (0-6 or 7 years old)	Work restrictions	Overtime restrictions (Restricted to a maximum of 24 h/month and 150 h/year) Exempted from night work
	Child nursing leave	Nursing for sick or injured children (5 days/year)

\* Use of parental leave and reduced working hours can be combined freely according to one's need.



### ● 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. It 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 corporate competitiveness by retaining the work potential of retirees in the midst of a declining labor force while also giving retirees job satisfaction and motivation. As of the end of April 2009, 137 persons were rehired. Professional staff interview those people seeking reemployment and provide employment opportunities either outside the company or job placement services for those looking for a part-time job.

### »» Using the childcare support system (reduced working hours)

#### I have time for my child and I can concentrate better on my work.

**Naomi Harada,**  
Toyohashi-Minami Carpet Manufacturing Dept. 2,  
Toyohashi-Minami Production Div.



I want to take care of my child, but I also want to continue working because my job is rewarding. Thanks to this system, I not only can drop off, pick up my child from the nursery school and spend time with my child, but I can now also concentrate better on my work. I'm going to continue my enthusiastic approach to work while balancing it with the childcare for the sake of my colleagues also who always give me a generous smile when I leave.



## Building a Pleasant Workplace Environment

### ●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 supervisors, 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

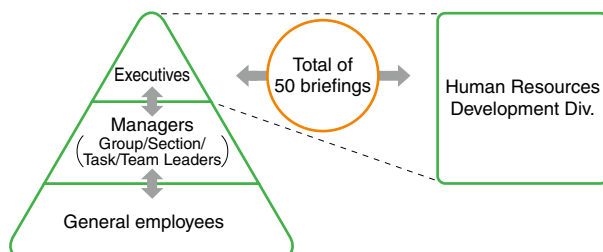


Employees from the Toyota Boshoku Prototype Production Div. organized a bowling competition after work

plans and implements lunch parties and other recreational activities, in which everyone participates. In fiscal 2008, 7,537 people joined in these events.

### MEET

Toyota Boshoku encourages all employees to become aware of issues and policies relating to personnel and labor as well as the environment of the company through the Human Resources Development Div. and informal discussions with executives. At the same time, the company makes the issues of each workplace known to the Human Resources Development Div. through MEET\* events. In fiscal 2008, the company held 2 MEET events, one in autumn and the other one in spring.



### ●Company-wide events

Once a year, Toyota Boshoku holds events on days off with the aim of fostering a company-wide sense of togetherness and encouraging communication among workplace members. A softball tournament was held from summer to autumn and a Global *Ekiden* (relay road race) was held in winter.

### Softball tournament

In fiscal 2008, 119 teams competed in the preliminary rounds in June and July. The finals were held in September. All together, over 3,300 people participated or came to the fields during the course of the preliminaries and finals. This tournament succeeded in encouraging communication within and between workplaces.



Softball tournament

### Global Ekiden

The company held a Global *Ekiden* at the Toyota City Sports Park in December 2007. Altogether 55 teams from the Toyota Boshoku Academy and overseas affiliates participated in the race. Colleagues from different workplaces and employees' families came to support the event. Through this event, we managed to foster a sense of togetherness in the group.



Global Ekiden

### >>> On participating in the Toyota Boshoku Global Ekiden

**This is the first time I participated in the Global Ekiden and I was able to meet many people.**

**Bahadır Atik,**  
Production Div., Toyota Boshoku Türkiye  
Otomotiv Sanayi ve Ticaret a.ş



I participated in the Global *Ekiden* for the first time as a member of a joint team from Europe & Africa. I am glad that I was able to meet many people I would otherwise rarely have the chance to talk to. 4 members of our team even won the Relay Award. It was a truly unforgettable event.

## Our Involvement with the Local Communities

Because the communication with the local communities is important, Toyota Boshoku further advances social activities. These include our participation in the One Percent Club\*, opening of our facilities to local citizen and implementation of activities that our employees can join.

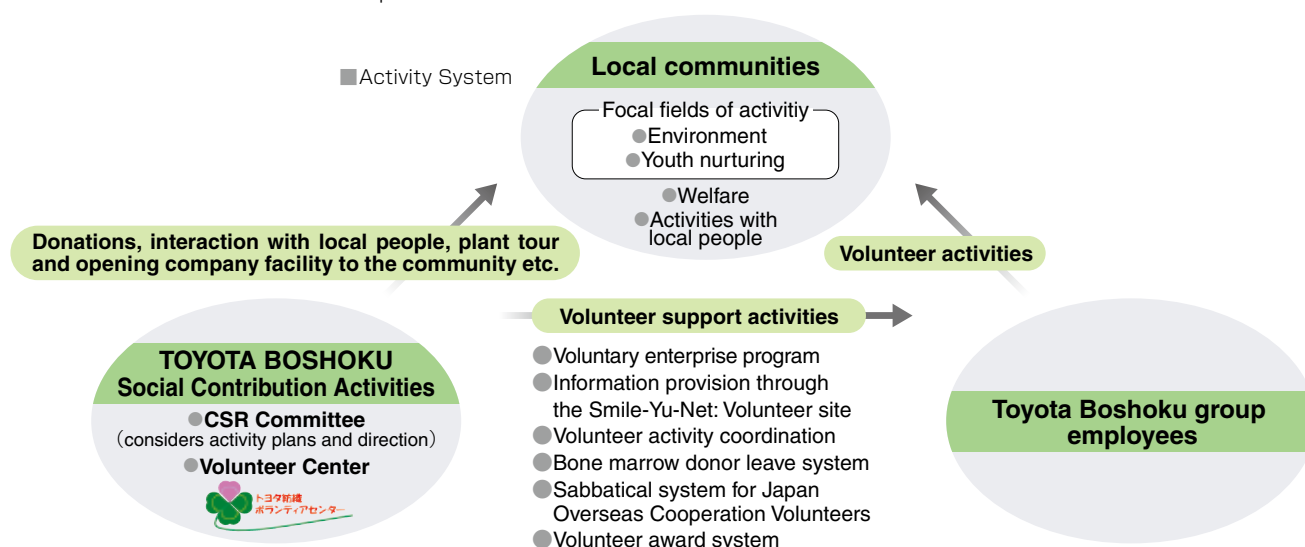
### ● Social contribution activities in local communities

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 globally. Our basic view of social action is to contribute to enabling people around the world to lead an affluent and stable lifestyle. 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' interests and understanding of volunteer activities. The company has established a Volunteer Center that supports employees' volunteer activities, prepared support systems. It also created an environment in which employees can engage enthusiastically in volunteer work.

<Other notable activities> Bone marrow donor leave system, sabbatical system for Japan Overseas Cooperation volunteers, volunteer award system, etc.

### Interaction program with children with Down Syndrome (Japan)



On August 2-3, 2008, the company held its overnight exchange event with children who are afflicted with Down syndrome. A total of 45 people, including 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 organized a tour of the Kakamigahara Aerospace Science Museum with a sightseeing flight in a Cessna. The event took place on October 11, 2008, in cooperation with Utopia Wakamiya, an independent living center for persons with disabilities.

\*1% (One-Percent) Club: Founded by *Nippon Keidanren* (Japan Business Federation), the One-Percent Club is a volunteer group including both companies and individuals. Club members are committed to contributing 1% of their ordinary income (in the case of corporations) or 1% of their disposable income (in the case of individuals) to social causes on a yearly basis.

## Development of Young People

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

### <Other notable activities>

Donating equipment to elementary schools (Indonesia); opening parent-child handicraft programs (Japan); sending instructors to junior high schools and universities (Japan)

## Sports Promotion by Corporate Club Teams (Japan)

Targeting the Women's Basketball Club and Track and Field Club, the company has enabled club members to hold sports promotion events for children. On June 1, 2008, members of the Track and Field Club attended as instructors the Culture, Art, and Sports Experience Program held at Isshiki Junior High School (Isshiki-cho, Hazugun, Aichi). On June 22, 2008, the Women's Basketball Club organized a basketball clinic for 50 junior high school students from Nakatsugawa City, Gifu.

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



Toyota Boshoku participates in the Toyota City Board of Education's young people's development program, which is designed to foster an appreciation of manufacturing in elementary and junior high school students. In fiscal 2008, 12 employees participated as automotive repair instructors and worked on repairing an old car together with the children for one year.



Women's Basketball Club's basketball clinic



Track and Field Club members giving instruction

## Donating chairs to an elementary school (South Africa)



On September 19, 2008, Toyota Boshoku South Africa donated 130 unused chairs to Sevilla Elementary School in its community.

### Jeff Smith,

Manager of Human resources, Labor, and General administration Division and CSR Representative Toyota Boshoku South Africa (pty) Ltd.

We of Toyota Boshoku South Africa were all delighted to receive a letter of appreciation for our chair donation and were all glad to know that the children felt great delight in receiving them.



## Environmental Preservation

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

### <Other notable activities>

Safe environmental activity by the Toyota Boshoku group Thailand (Thailand); recycling of industrial waste (Turkey); collecting of PET bottle caps (Japan)

➔ See p.33 for the reforestation activities.

## Clean Environment Campaigns (worldwide)



All of the Toyota Boshoku group companies conducted clean environment campaigns. A total of 2,143 employees participated in this cleanup in June, which coincided with Environment Month.

## Community Cleanup (Thailand)



33 Toyota Boshoku Asia employees gathered to pick up waterweed and rubbish at streams near their facility, together with staff from the Prawet City Hall.

### Pinyada Songpiches,

Supervisor, General Administration Div., Toyota Boshoku Asia Co., Ltd.

I sweated a lot because the cleaning equipment was very heavy and difficult to handle. However, it was a fun and meaningful day for me. I will continue to participate in such cleaning activities in the future.



## Others activities not posted here

Provided relief supplies and donations to the disaster areas of Sichuan earthquake (Japan and China); employees worked as volunteers at the disaster areas (China); employees donated blood (Japan, Turkey, China and America); we opened company facilities to communities (Japan) and so on



49	Review
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53	Environmental Management
59	Eco-Friendly Development and Design
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66	Third-Person View



Planting kenaf in Indonesia (Lamongan, Jawa Timur)

Toyota Boshoku group is doing its part to contribute to the sustainable society by working to reduce environmental burden in all facets of its business.

In keeping with other years, the group's production bases carried on the group's environmental protection activities all around the world in FY2008. In this section, we will take a look at the Toyota Boshoku group's environmental protection efforts.

# Our Involvement with the Environment

## We feel it is our duty to make a contribution to the creation of a sustainable society

CO<sub>2</sub> emissions, one of the causes of global warming, are increasing by the year and there are concerns about the effects of climate change and its resulting impact on the life of the environments and the ecosystems. These days, the modern corporation is required to find a balance between its business activities and protecting the environment. It has to strive to build a world of sustainable resource use. The Toyota Boshoku group takes this responsibility seriously. We are working hard to protect the environment so that our children and grandchildren may inherit a greener planet.



**Hideo Kawakubo,**

Vice Chairman of the Environment Committee and Senior Managing Director

### The TB-EK program\*1 is the foundation for cross-sectional environment-protection activities

The Toyota Boshoku group considers the issue of global warming to be one of our top management priorities and, as such, we have implemented a broad range of measures to counter global warming. These include introducing energy-efficient technologies into the production process. We are working with our distribution partners to improve distribution efficiency through *kaizen* improvements and modal shifts. We believe it is vital that the whole Toyota Boshoku group works together to reduce, ban the use of, or control harmful chemical substances subjected to restrictions or bans, including the European REACH substances and the four SOC<sup>s</sup>\*3.

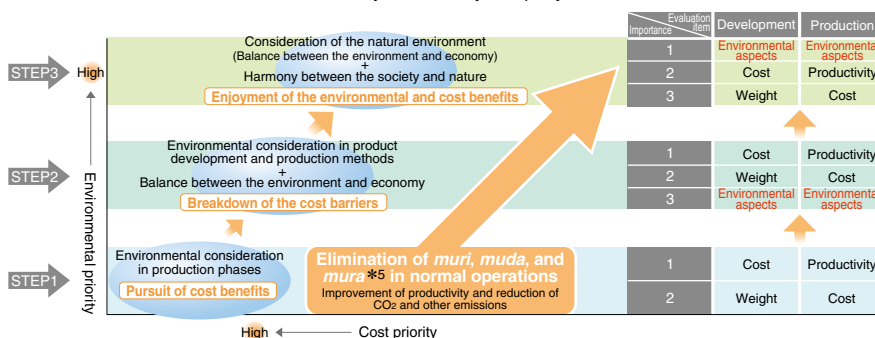
Toyota Boshoku's plants and departments took assertive actions to ensure they are environmentally considerate, based on the Y2010 Environmental Action Plan, which sets forth the company's environment-related actions between 2006 and 2010 (details on p. 53-54). However, it is clear that we must bring a mid- to long-term vision to our environmental efforts, and we must move beyond the traditional frame-work of "plants" and "departments" in order to realize a world with low carbon emissions. That is why we established the Toyota Boshoku Environment *Kaikaku*\*4 (TB-EK) program.

The TB-EK program provides for collaboration between the various parts of the company to pursue environment-related activities, these are linked to specific environmental targets in a cross-sectional manner throughout all areas of the company's business, including

but not limited to advance development (products, materials, manufacturing methods), product development, design, production and distribution. Through this, the program aims at establishing a truly eco-friendly company that can strike a balance between the environment and economy in harmony with society and nature.

We are constantly working to

#### Environmental initiatives to establish a truly eco-friendly company



\*1 Toyota Boshoku Environment *Kaikaku* activities \*2 Registration, Evaluation, Authorization and Restriction of Chemicals

\*3 Hexavalent chromium, cadmium, lead, and mercury \*4 *kaikaku*: reformation

\*5 *muri, muda and mura*: overburden, waste and unevenness



strengthen and promote TB-EK activities so as to pave the way for better interdepartmental collaboration and sharing of information in the hope of meeting our environmental targets.

### Total emission volume targets met in FY2008

The Toyota Boshoku group's environment-related activities in fiscal 2008 were successful. Even allowing for the effects of reduced production, our day-to-day improvement efforts were rewarded with across-the-board achievement of all targets established under the Y2010 Environmental Action Plan, including prevention of global warming, reduction of environmental burden, resource recycling and eco-friendly business management.

Moreover, we established a Global CO<sub>2</sub> Reduction Program (details on p.51), which has enabled us to meet our CO<sub>2</sub> reduction targets.

### Pursuing environmental protection activities around the world in order to become a truly eco-friendly company

Moving forward, we will work to reinforce our Global CO<sub>2</sub> Reduction Program activities and ensure a coordinated effort by all Toyota Boshoku group companies. We always keep material recycling foremost in our mind in order to promote resource recycling during the production process. Our development, production engineering and manufacturing departments have joined forces to come up with new materials and manufacturing methods that will help further cut back on emissions.

Meanwhile, Toyota Boshoku is promoting the use of plant-derived materials (see the column on the right) in the hope of one day making all interior components from

plant-derived materials. Indeed, we believe it is vital to expand the use of such materials. The company is also actively pursuing a sustainable plant policy (see the column below).

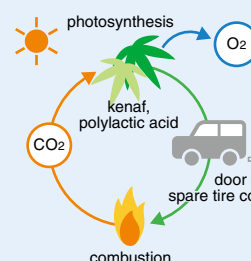
Furthermore, we have established uniform, group-wide administration standards to ensure that fluctuations in production volume have no influence on our ability to meet environment-related basic-unit targets linked to sales. The whole group is making a team effort regarding environmental protection not only to meet those targets, but also to raise the ecological awareness of all Toyota Boshoku group employees so that we can, as a truly eco-friendly company, do our bit to help protect the natural environment.

### Using plant-derived materials can help us become carbon-neutral.

Already, Toyota Boshoku has achieved carbon neutrality by using kenaf, an annual plant, in its molded headliners, door trim and other interior components.

Carbon neutrality refers to a total CO<sub>2</sub> balance of zero once CO<sub>2</sub> emissions and absorptions throughout the lifecycle of the product have been taken into account. Using plant-derived materials means that the CO<sub>2</sub> absorbed by the plant by photosynthesis as it grew before being harvested for use can be included in the product's CO<sub>2</sub> calculation. Therefore, even if the product is incinerated after its service life concludes, the CO<sub>2</sub> emitted is only equivalent to the amount previously absorbed, and thus, on balance, there is no increase in the amount of CO<sub>2</sub> in the atmosphere.

This is indeed a fine example of environmentally-considerate manufacturing.



### Sustainable plants: using nature to create plants in harmony with the natural environment.



**Photovoltaic system in our Gifu Plant**

The field test project on New Photovoltaic Power Generation Technology in 2008 (New Energy Foundation)

Toyota Boshoku is working hard to introduce energy-efficient technologies and *kaizen* improvement practices into its production bases in order to reduce environmental burden.

In addition to existing efforts to reduce CO<sub>2</sub> emissions, the company has implemented a sustainable plant policy under which it aims to harness the power of nature to create plants in harmony with the natural environment. One instance is using solar and wind energy and other renewable energy sources, or planting trees in the vicinity of its production facilities. Rooftop solar panels have been installed to generate power from sunlight, and there are moves to install wind power generation facilities and rooftop gardens.



### New Global CO<sub>2</sub> Reduction Program helps prevent global warming



CO<sub>2</sub> is one of the causes of global warming, and reducing CO<sub>2</sub> emissions is an issue that we must all tackle on a global scale. Indeed, as a corporate group with business interests around the globe, the Toyota Boshoku group considers this to be one of the most important facets of business management. To that end, we have had a worldwide program of CO<sub>2</sub> reduction activities in place since 2006.

#### All Toyota Boshoku group bases now participate in the CO<sub>2</sub> Reduction Program

The Toyota Boshoku group endeavors in creating a team effort to prevent global warming began in fiscal 2006. The group's various bases worldwide worked hard to cut back CO<sub>2</sub> emissions.

Then, in order to provide a further boost to those efforts and help pursue them with even greater vigor, the Global CO<sub>2</sub> Reduction Program was introduced in fiscal 2008. The scope of activity was expanded to cover the whole of the Toyota Boshoku group, and various practices from the group's Japanese companies were introduced worldwide. This included the establishment of basic-unit targets for CO<sub>2</sub> emissions and total emission volume targets, promotion of energy conservation, improved efficiency in production, and education on how to stop global warming.

#### New Global Award for the environment promotes a team effort by the Toyota Boshoku group to reduce CO<sub>2</sub> emissions

The Toyota Boshoku group Global Awards are presented to business units that make significant achievements. Joining existing awards for quality and social contribution,

a new category was introduced in fiscal 2008 to coincide with the establishment of the Global CO<sub>2</sub> Reduction Program: the Environment Award. The aim of the new award is to promote environment-related activities and to make the Toyota Boshoku group plants the cleanest in the world.

Also, because the award involves assessing each group company's performance in comparison with CO<sub>2</sub> reduction targets as well as their environment-related activities, it also provides a boost for the Global CO<sub>2</sub> Reduction Program, and helps raise the environmental awareness of all Toyota Boshoku group employees.

#### Independent action in addition to CO<sub>2</sub> reduction program garners high praise

In addition to participating in the activities required under the group-wide Global CO<sub>2</sub> Reduction Program, TBDN Tennessee took the initiative to carry out its own course of



TBDN TENNESSEE COMPANY

action. The company's activities earned it high praise and eventually led to TBDN Tennessee winning the inaugural Global Awards 2008 in the Environment Section.

## Activities of the Environment Action Team of TBDN Tennessee

1. Using highly efficient motors in major new facilities
2. Changing air-conditioner temperature setting
3. Turning off lights during lunch breaks and at other times of non-use
4. Reducing water consumption by switching to low-flow toilets
5. Cleaning up of the areas surrounding factories
6. Making a thorough trash sorting to further resource recycling
7. Checking tire pressure before commuting to work



TBDN Tennessee manufactures and sells air cleaners and cabin air filters and sells oil filters. Among their business operations, the company sought volunteers from among its office and plant staff to form an Environmental Action Team (EAT). The EAT performs a range of activities including changing light fittings to energy-efficient models, promoting the use of high-efficiency motors in major new facilities, setting air-conditioners temperature at reasonable levels, checking that lights are turned off during lunch breaks and other times of non-use, reducing the amount of water consumed by switching to low-flow toilets, cleaning up areas surrounding factories, sorting trash and ensuring the tires on the vehicles they use to commute to work are inflated to the correct pressure.

These activities were well rewarded when TBDN Tennessee met its CO<sub>2</sub> reduction targets with flying colors.

According to one TBDN Tennessee employee, "it was hard at first to get people who were not EAT members to understand how important these activities were, but they came around eventually and there has definitely been an

overall increase in employee awareness of environmental issues. Now the EAT's efforts are starting to have a positive effect on the group-wide drive to cut CO<sub>2</sub> emissions."

This goes to show how the EAT's activities have provided a boost to the group's environmental efforts and raised awareness among staff.

### Stickers on light switches help raise awareness of energy conservation among all employees

Another TBDN Tennessee innovation was to put stickers on light switches starting in 2009, calling on people to save energy. The stickers feature frog and ladybug characters, and give clear guidelines on when to turn lights off. The company will continue to strive to raise its employees' awareness of the importance of energy conservation through activities that, like the examples described, are easy to understand and easy to perform.



## Environmental Management

The Toyota Boshoku group companies strive together to preserve the global environment in order to realize a sustainable society.

### Results of Environmental Activities in Fiscal 2008

Toyota Boshoku established the "Y2010 Environmental Action Plan," which is an action plan designed for the Toyota Boshoku group to improve its environmental preservation efforts.

In fiscal 2008, in order to meet our goals in the Y2010 Action Plan, we promoted activities to preserve the global environment such as enhancing the development of weight saving technologies, complying systematically with chemical substance regulations such as REACH, reducing CO<sub>2</sub> emissions throughout all group companies, and conducting reforestation activities in Kyushu.

#### 1. Prevention of Global Warming

(Legend of self-evaluation: ○: achieved, △: more than 90% achieved, ×: achieved, but less than 90%)

2010 Action Items		2008 Initiatives Policy/Goals		Action Results		Self-evaluation	Page
Development and design	1) Further weight saving of automobile parts to improve fuel efficiency	1) Promotion of Weight Saving Committee Activities 2) Development of weight saving technologies for seats, filters and power trains		1) Establishment of medium- to long-term weight saving working group 2) •Development of new generation seat frame for vehicles •Development of plastic intake manifolds •Development of plastic cylinder head covers		○	59
	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 <sub>2</sub> emissions (expansion of activities to include offices and other sites which are non-production divisions)  Refer to p.61 for details on CO <sub>2</sub> emission reduction conditions in each region  4) Reduction of CO <sub>2</sub> emissions in logistics						
		CO <sub>2</sub> emission	Item	Category	Goal	Results	Self-evaluation
			Production	Independent	Emission	83,581t-CO <sub>2</sub>	72,700t-CO <sub>2</sub>
				Basic Unit	17.6t-CO <sub>2</sub> /100 million yen (11.1t-CO <sub>2</sub> /100 million yen*1)	12.0t-CO <sub>2</sub> /100 million yen	○*1
			Logistics	Consolidated	Basic Unit	18t-CO <sub>2</sub>	18t-CO <sub>2</sub>
				Independent	Emission	5,936t-CO <sub>2</sub>	4,475t-CO <sub>2</sub>

\*1 ( ) is the voluntary target in 2008. Goals of the Y2010 Environmental Action Plan were achieved. Voluntary targets were nearly achieved

#### 2. Reduction of Substances of Concern

(Legend of self-evaluation: ○: achieved, △: more than 90% achieved, ×: achieved, but less than 90%)

2010 Action Items		2008 Initiatives Policy/Goals		Action Results		Self-evaluation	Page
Development and design	5) Promotion of management and further reduction in the use of substances of concern (SOC) •Eliminated use of SOCs (lead, mercury, cadmium and hexavalent chromium, etc.) globally •Reduction of VOC*2 in the vehicle cabin *2 VOC: Volatile Organic Compounds	1) Substitution of lead in soldering 2) Revision and expansion of SOC*3 assurance rules in global businesses 3) Complying systematically with REACH regulation 4) Outline measures for VOC regulation in the vehicle cabin *3 SOC: Substances of Concern		1) Research done on alternative technologies for substitution of lead in soldering and promoted substitution 2) Constructed a system to rectify errors based on results from a survey on SOC management of the entire group's businesses 3) Completed preliminary registration 4) Established a VOC regulation subcommittee Substitution of VOC in auxiliary materials and interior parts		○	59
	6) Reduction of the discharge of substances subject to the PRTR*4 law and VOC *4 PRTR: Pollutant Release and Transfer Register					○	62
Production				Item	Category	Goal	Results
				Emission of substances subject to PRTR	Independent	Emission	132t
							112t





## Earth Charter

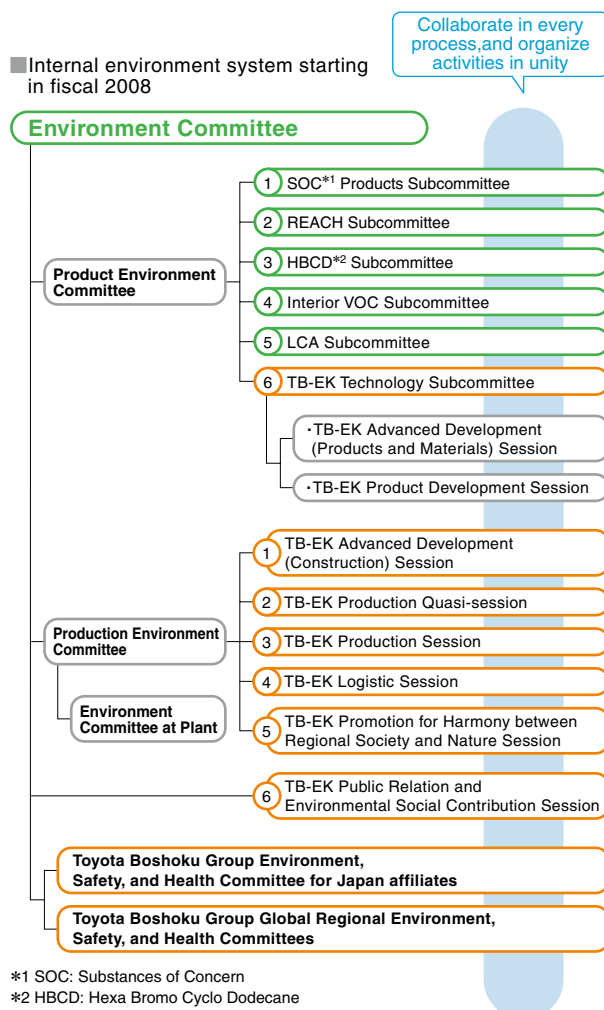
The Toyota Boshoku group promotes environmental preservation in the spirit of the "TOYOTA BOSHOKU Earth Charter", which was established in 2004. We aim to realize a sustainable society by practicing activities such as reducing environmental burdens, developing environmental technologies, and working in cooperation with society.



## Promotion system

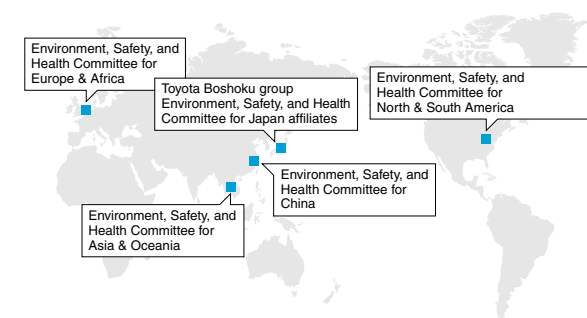
Toyota Boshoku has an environment committee with the company president as chairman, together with the installation of four substructures for products, production, and so on to systematically promote environmental activities. Unit sessions and project working groups were newly created in order to promote more functional environmental action. Many fruitful activities have been organized. Additionally, we started TB-EK Activities (details on

p.49) in fiscal 2007. In order to further the environmental activities of our group, unit sessions were established to carry out more complete activities. In the future, we shall work towards the establishment of medium- to long-term environmental activities and organize more fulfilling TB-EK activities by focusing on important activities such as reducing the environmental burdens of new products.



## Consolidated Environmental Management

In fiscal 2008, the Toyota Boshoku group supported our environmental activities to achieve the targets by making full use of the Toyota Boshoku group Environment, Safety, and Health Committee for Japan affiliates and the Toyota Boshoku Group Global Regional Environment, Safety, and Health Committee in each Regional Management & Collaboration Hub.



Environment, Safety, and Health Committee for Asia & Oceania Group photo (Left) and on-site inspection in the plant (Right)

### ●Energy saving activities

From fiscal 2008, we expanded our CO<sub>2</sub> reduction activities on a global scale with the group companies outside Japan also setting targets for CO<sub>2</sub> emissions. The group as a whole met the targets for CO<sub>2</sub> emissions. We will continue to expand our energy conservation activities to all group companies in order to meet our 2010 targets.

### ●Prevention Activities

From fiscal 2008, the Japan group companies started reciprocal audits of the state of compliance with various regulations and preventive measures against environmental risk.

In the future, we will expand reciprocal audits to include the group companies outside Japan and strengthen our prevention activities.

### Environmental education and awareness raising

Toyota Boshoku undertakes systematic environmental education through new employee training, general training, and training by job classification and workplace content.

From fiscal 2007, overseas staff have been invited to Japan for environmental training. In May 2008, staff from Asia & Oceania took part, and in September, staff from Europe & Africa participated, studying our environmental initiatives, visiting environmental facilities, and receiving training in the *genchi genbutsu*\* management method. Participants also considered issues specific to each region and shared information on their environmental activities.



Training for staff from Europe & Africa held in September 2008

Toyota Boshoku will continue to undertake these activities, sharing know-how and experience across the organization to achieve a uniform level of environmental management in each region.

In May 2008, as part of an awareness-raising campaign, all employees were invited to submit a wind power generation slogan. The Award for Excellence went to Hisayoshi Matsubara of the Production Control Div. for the slogan "An eco-friendly eco-life with the feel of the wind". Signboards showing the slogan were displayed at 12 plants in Japan to mark Environment Month which started on June 1, 2008. These activities helped raise the environmental awareness of our employees and deepen their

understanding of wind power generation.



Wind power generation

In July 2008, an environmental lecture was held in the hall of the Sanage Main Building, where experts in the environment field were invited to talk on the subject of "How to achieve a low carbon society". Through this lecture, participants gained a deeper insight into the issues of achieving a low carbon society.

#### Hisayoshi Matsubara Production Control Div.

Having my slogan chosen has inspired me to think more about what I can do for the earth, at work and at home.



### Environmental communication

Every year, the Toyohashi-Kita Plant receives requests to host study visits from elementary schools. In fiscal 2008, elementary school pupils from two schools toured the plant, with a special focus on the environmentally

\*To travel to the actual location, obtain valuable quantitative and qualitative information, make decisions and act



responsible seat production process. In addition, meetings are held regularly at the Sanage Plant with local people and director generals of neighboring districts to explain the company's environmental measures. Clean-up activities are also held periodically to protect the environment around the plant.

In December 2008, the representatives of Kariya, Aichi Prefecture, were invited to the Kariya Area Social Gathering held by the Toyota Group at the head office of AISIN SEIKI CO., Ltd. The Kariya Area Social Gathering is held every year.

Toyota Boshoku will continue to promote communication with the local community about the environmental initiatives of the company.



Plant tour at Sanage Plant by Kamekubi-cho representatives

### ● Agreement for the Promotion of Environmental Protection with Toyota City

In February 2009, Toyota Boshoku signed the Agreement for the Promotion of Environmental preservation with Toyota City. This agreement revises the content of the earlier Pollution Control Agreement to enable the city of Toyota to establish a sustainable society. In addition to covering pollution control, the agreement includes voluntary



Concluding the Agreement for the Promotion of Environmental Protection with Toyota City, Aichi Prefecture, February 2009

environmental activities such as measures against global warming. We will actively provide information to citizens by disclosing data on the status of our environmental protection initiatives and we will work with the city to promote communication.

### ● Disclosing environmental information

Toyota Boshoku works actively to disclose environmental information. Up to fiscal 2005, we presented environmental information in the Environmental and Social Report and since fiscal 2006 this information has been incorporated in the Toyota Boshoku Report.

## ISO 14001 Certification

The Toyota Boshoku group is working actively to introduce and establish the ISO 14001 environmental management system. As of March 2009, 69 out of 86 major facilities

and offices have obtained ISO 14001 certification. For details, visit the Toyota Boshoku website.

<http://www.toyota-boshoku.co.jp/en/csr/houkoku.html>

## Environmental Auditing

### ● Internal Auditing

In fiscal 2008, all eighteen of Toyota Boshoku's plants carried out internal audits, and corrective action was undertaken promptly where issues were identified. We will continue to train internal auditing staff on a systematic basis and raise the level of audits.

### ● External Audits

We ask certification bodies to conduct periodic checks concerning ISO 14001 compliance. In fiscal 2008, five plants underwent renewal inspection, and thirteen plants underwent surveillance (maintenance inspection). All the plants were found to conform to the requirements of ISO 14001 with no major nonconformance. All were found to be operated appropriately.

## Environmental Risk Management

Toyota Boshoku is working to reduce environmental risk in relation to environmental incidents, pollution, and legal violations. We manage risk based on target values voluntarily set to more stringent standards than regulations require. We also identify latent risks and take relevant preventive measures.

In fiscal 2008, we took measures to prevent soil and groundwater contamination by oil. In addition, in December 2008, soil contamination was discovered at the Sanage Plant, and countermeasures were completed in accordance with the directions of Toyota City. For details, see p.65 "Preventing contamination of soil and groundwater".

There were no other cases where regulatory values were exceeded or of environmental incidents or complaints.

## Environmental Accounting

Toyota Boshoku believes that it is important to assess the effectiveness of our investment and cost in environmental protection in order to improve efficiency of administration

and make rational decisions. At the same time, we regard this as one mean of providing comprehensive environmental information for all of our stakeholders. From fiscal 2008, we have included the group companies outside Japan in the environmental accounting system. Environmental accounting in the Toyota Boshoku group now applies to Toyota Boshoku Corporation and 16 Japanese subsidiary companies (including sub-subsidiaries), and to 42 subsidiary companies\*<sup>1</sup> outside Japan. We will endeavor in consolidating our environmental accounting in order to improve the efficiency of our environmental protection activities. The cost, economic and material effects of environmental preservation were calculated based on the Environmental Accounting Guidelines (2005 Edition) issued by the Ministry of the Environment.

### ●Cost of environmental preservation

In fiscal 2008, the environmental accounting of the Toyota Boshoku group recorded investment of 937 million yen, costs of 1,684 million yen and economic effects of 944 million yen. The main investments were for the solar panels at the Gifu Plant, the solar water heating at the Sanage Dormitory, and the RPF\*<sup>2</sup> facility at the Tsutsumi

Plant. The main costs were for recycling waste (resource circulation), maintenance of the environmental management system (administration cost), as well as personnel and testing expenses related to R&D. Environmental remediation costs were for handling the soil contamination at the Sanage Plant and for purifying the groundwater at the Kariya Plant.

The main investments of the group companies went to introducing new waste water processing facilities, solar panels and other facilities.

### ●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.).

### ●Material Effects of Environmental Preservation Measures

Examples of improvements in waste reductions and reductions in CO<sub>2</sub> emissions are provided in this report (details on p.60~64).

(Unit: Million Yen)

Environmental Accounting		Toyota Boshoku		Japanese Subsidiaries (including sub-subsidiaries)		Subsidiaries Outside Japan	
		Investment Amount	Cost Amount * <sup>3</sup>	Investment Amount	Cost Amount * <sup>3</sup>	Investment Amount	Cost Amount * <sup>3</sup>
Business Area Cost	Pollution Prevention	104	90	0	5	121	53
	Global Environmental Conservation	385	27	32	2	108	3
	Resource Circulation	111	374	1	83	43	30
Upstream/Downstream Cost		0	0	0	0	—	—
Administration Cost		7	160	8	38	16	60
R&D Cost		0	624	0	0	—	—
Social Activity Cost		0	45	1	1	0	2
Environmental Remediation Cost		0	83	0	0	—	—
Total		607	1407	42	129	288	148
		2014		171		436	

(Unit: Million Yen)

Economic Effects		Toyota Boshoku	Japanese Subsidiaries (including sub-subsidiaries)	Subsidiaries Outside Japan
Cost Reduction through Energy Saving		63	3	75
Reduction of Waste Disposal Cost		49	11	139
Profit on Sale of Recycle Material		595	9	—
Total		707	23	214

Material Effects		Toyota Boshoku	Japanese Subsidiaries (including sub-subsidiaries)	Subsidiaries Outside Japan
Energy Saving (tCO <sub>2</sub> )		15,262	18	3,031
Waste Disposal (t)		1,668	458	2,189

\*1 For details on 16 Japanese subsidiaries (including sub-subsidiaries) and 42 subsidiaries outside Japan, visit our website

\*2 Refuse Paper & Plastic Fuel

\*3 Depreciation is not included in the expenses

## Eco-Friendly Development and Design

Through TB-EK Activities, Toyota Boshoku takes the environment into account at each stage from development and design to production, use and disposal.

We work to design products that are eco-friendly throughout their whole lifecycle.

### ●Reducing CO<sub>2</sub> emissions by improving vehicle mileage

Toyota Boshoku is developing lighter automotive parts for better vehicle mileage, thereby contributing to reductions in CO<sub>2</sub> emissions.

For example in fiscal 2008, we developed a new generation of seat frames that are thinner and more lightweight to save resources. While we use the normal high-tensile steel plate, we redesigned the structure and shape of the framework (details on p.25). We also developed an all-plastic cylinder head cover in which only the oil control valve (OCV) attachment has an aluminum housing, as well as a plastic intake manifold.

#### Example of reduced product weight

We are concentrating to lighten parts located around the engine by using plastic materials. Plastic intake manifolds are 50% lighter than conventional aluminum products, while plastic cylinder head covers equipped with OCVs are 40% lighter.

Intake manifold



Cylinder head cover



### ●A stronger assurance system for substances of concern

In carrying out product development, the Toyota Boshoku group works consistently to minimize the impact of substances of concern on the environment at the stages of production, use and disposal of our products. In fiscal 2008 we conducted a survey of management conditions at our production subsidiaries outside Japan with the aim of strengthening the assurance system for substances of concern. Based on the results, we established a system for dealing with abnormal situations to complete our activities for strengthening our assurance

system for substances of concern. We will continue to monitor the operation of this assurance system.

### ●Compliance with the European REACH\*<sup>1</sup> regulations

From June 2008, the European REACH regulations went into effect. In order to comply with the regulations, Toyota Boshoku worked with our European business units to research and list items for preliminary registration, and we completed registration by the deadline on December 1, 2008.

In fiscal 2009 we will obtain information on chemical substances that may be subject to restrictions on use in products, and we will work to develop alternative technologies.

### ●Activities to reduce VOC\*<sup>2</sup> in the vehicle cabin

In response to "Voluntary Approach to Vehicle Cabin VOC Reduction"\*<sup>3</sup> released by the Japan Automobile Manufacturers Association, Inc. in February 2005, we are seeking to reduce VOC levels by using materials which do not contain VOC in our products. In June 2008, we strengthened the initiatives within the group by inaugurating the VOC Regulations Subcommittee.

### ●Development of interior materials using kenaf

Toyota Boshoku is developing interior materials that are effectively carbon neutral. The door trim of the CELSIOR, which was released in 2000, used kenaf material developed by Toyota Boshoku. The use of kenaf was later extended to the seat backboards, package trays, headliner and other parts. In order to use kenaf in a wider range of products, in fiscal 2008, we developed a new material for injection molding using kenaf. This is based on polyolefin resin with kenaf fiber of 50% or more added. It was developed by kneading the resin and kenaf together, focusing on their compatibility to achieve an injection molding material with good liquidity and physical properties.



Prototype upper door trim material



Raw material for injection molding

\*1 REACH: A regulation on Registration, Evaluation, Authorization and Restriction of Chemicals, enforced in Europe since June, 2007.

\*2 VOC: Volatile Organic Compounds

\*3 In fiscal 2007, new car models have met the guideline concentration values designated by the Ministry of Health, Labor and Welfare for 13 substances in vehicle cabin (JAMA Report No.98)



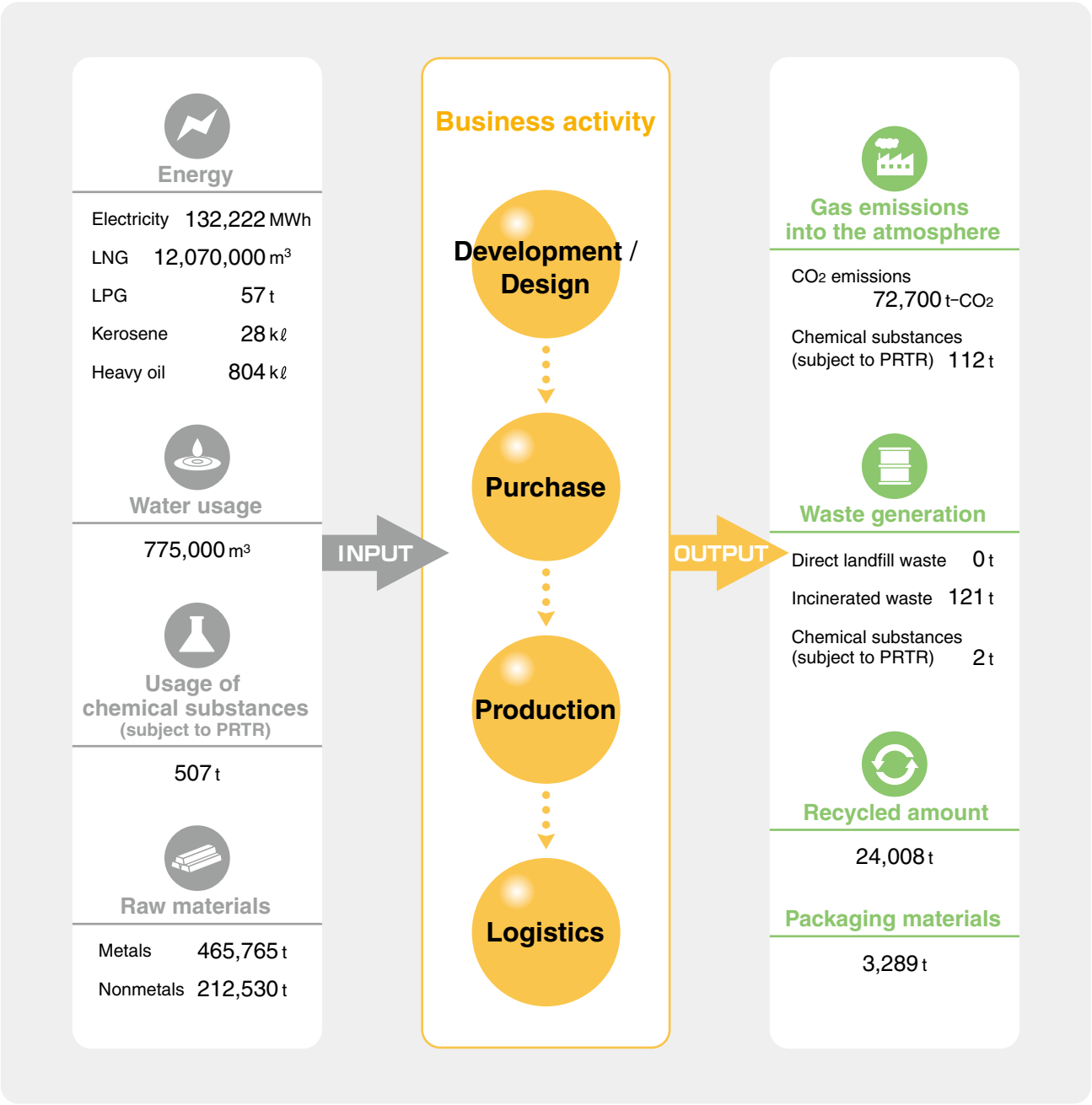
# Initiatives to Reduce the Environmental Impact of Production

As an interior system supplier and filter manufacturer, the Toyota Boshoku group manufactures products in every part of the world. After precisely assessing the environmental impact of all our business activities from procurement of resources through to recycling, we work to reduce our impact on the environment.

## Our Business Activities and the Environment

Based on Y2010 Environmental Action Plan, Toyota Boshoku is working actively through the various

committees to meet the targets for fiscal 2008. The chart below shows the overall picture of our business activities and their environmental impact in fiscal 2008.



## Preventing Global Warming

In fiscal 2008, the commitment period of the Kyoto Protocol started (2008 to 2012).

Preventing global warming is an important issue for the management of the company. All group companies are undertaking energy conservation activities as well as global activities to reduce CO<sub>2</sub> emissions.

### ● Global implementation of activities to prevent global warming

From fiscal 2008, expansion of activities to reduce CO<sub>2</sub> emissions to all group companies has been enhanced. We have added targets for total volume to the emission factor per unit of sales, and the group is working in unison to prevent global warming.

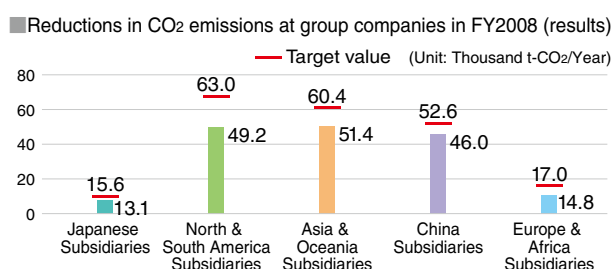
### ● Reductions in CO<sub>2</sub> emissions at Toyota Boshoku

In fiscal 2008, the TB-EK Production Unit Session carried out reciprocal onsite checks concerning the state of implementation of improvements towards achieving the 2010 targets. Effective initiatives at each plant are implemented throughout the group. We will continue to promote best practices through these activities.

As a result of these activities at all plants, in fiscal 2008 we significantly exceeded our emissions target of 83,600 t-CO<sub>2</sub> with a reduction to 72,700 t-CO<sub>2</sub> (target ratio: 87%), at the same time meeting the Y2010 Action Plan target (hereafter, 2010 target) of 84,500 t-CO<sub>2</sub>. Reduced production also contributed to this result. With regard to the basic unit for emissions, we achieved results of 12.0 t-CO<sub>2</sub> compared with the 2010 target of 17.6 t-CO<sub>2</sub> due to the sudden drop in production. However, we did not reach the higher voluntary target of 11.1 t-CO<sub>2</sub>.

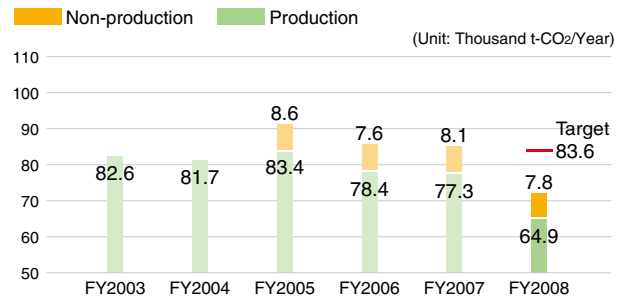
### ● Reductions in CO<sub>2</sub> emissions at group companies

The group companies also carried out energy conservation activities in production areas, for example, reducing the MCT\* of injection molders and improving the operating rate of vacuum molding machines.

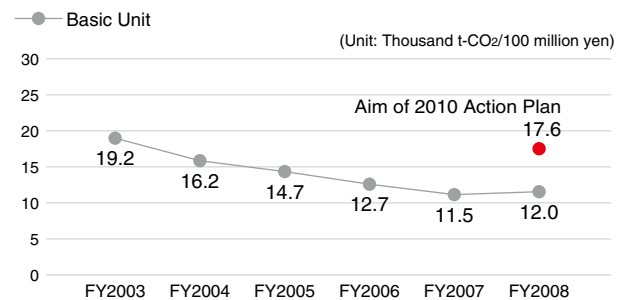


### ■ Total CO<sub>2</sub> emissions

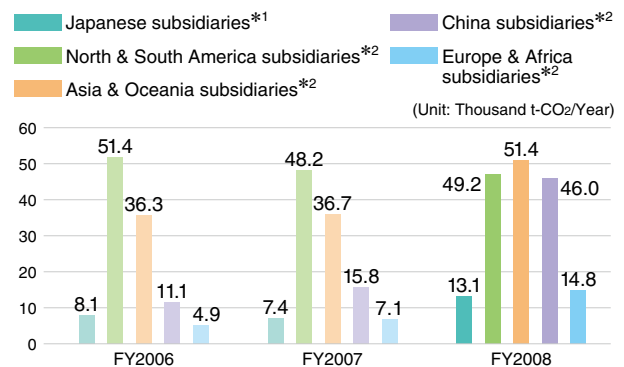
#### [Toyota Boshoku] Total volume



#### [Toyota Boshoku] Basic Unit



#### [Group companies]



\*1 Japanese subsidiaries (including sub-subsidiaries): 2 companies involved up to fiscal 2007, and 16 companies involved from fiscal 2008

\*2 Subsidiaries outside Japan: 14 companies involved up to fiscal 2007, and 42 companies involved from fiscal 2008. For details, visit the Toyota Boshoku website

### ● Future activities to combat global warming

We will set voluntary targets higher than the 2010 targets and strengthen our energy conservation activities throughout the Toyota Boshoku group as a whole. We will also take assertive steps to reduce non-production energy use, carry out activities to reduce CO<sub>2</sub> emissions and make improvements at the level of basic unit emissions.

## Effective use of natural energy

In addition to the wind power generation installed up to fiscal 2007, we installed a solar power generation system at the Gifu Plant in fiscal 2008, as well as Magnus wind turbine power generation facilities at the Sanage Plant. Solar water heating facilities were installed at the Sanage Dormitory. At present we are working to improve generating efficiency through field testing, and we aim to make more effective use of natural energy.

### Magnus wind turbine\* power generation facilities at the Sanage Plant



Wind turbine diameter: 11.5 m  
Height: 18.3 m

Annual power generation:  
Approximately 11,000 kWh at an  
average wind speed of 3.2 m/s

\* Magnus wind turbine:  
A new type of wind power generator  
that uses the Magnus effect  
(the curveball principle)

### Solar water heating facilities on Buildings A & B of the Sanage Dormitory



Installed area: 214 m<sup>2</sup>

Annual thermal energy collection: Approximately 12 kL/year

Annual monetary equivalent: Approximately 2 million yen/year

\* The Building B installation is being conducted as joint research with the New Energy and Industrial Technology Development Organization under the fiscal 2008 Advanced Solar Heat Utilization Field Test Project. The monetary equivalent is calculated by comparison with the earlier gas boiler facilities. The thermal energy collection is measured in crude oil equivalent.

### The Gifu Plant solar power generation system



Installed area: 1,800 m<sup>2</sup>

Annual power generation:  
Approximately 200,000 kWh

Annual monetary equivalent:  
Approximately 2.8 million yen/year

\* Fiscal 2008 Field Test Project on  
New Photovoltaic Power Generation  
Technology (New Energy Foundation)

## Examples of Improvements

### The Kariya Plant:

#### Energy conservation by eliminating air leaks

As an approach to reducing air leaks to zero, a system was established to specify the time period when air is required on non-regular days, in addition to the normal measures against leaks. Air is now supplied only to the plant where it is required using electric valves and a calendar timer.



Energy saving: 138,240 kWh/year  
CO<sub>2</sub> reduction: 52.8 t-CO<sub>2</sub>

#### ►Staff Responsible for the Improvement

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



Hirohisa Mase,  
Assistant Manager,  
Facilities Maintenance 3 Group



Masaki Aoyama,  
Management Group



Hiroshi Murayama,  
Group Leader,  
Facilities Maintenance 3 Group

### Toyota Boshoku Filtration System (Thailand) Co., Ltd.: Saving energy by controlling the washer pump with an inverter

Toyota Boshoku Filtration System (Thailand) Co., Ltd. has taken energy saving measures in the cleaning process for oil filter cases. In the past, the flow of hot water to the washer was controlled with a valve, but this was changed by installing an inverter on the washer pump. With the valve fully open, the rotations of the pump are reduced using the inverter to ensure operation uses only the required energy.

Energy saving: 1,063 kWh/year  
CO<sub>2</sub> reduction: 18.1 t-CO<sub>2</sub>

#### ►Staff Responsible for the Improvement



Safety & Environment Dept.  
Tanong Kadtasing,  
Energy Saving Project Leader

## Chemical Management

**Toyota Boshoku works to reduce the range of chemical substances we use, particularly PRTR substances. We also carry out appropriate management of chemicals.**

### ●Reducing emissions of PRTR substances

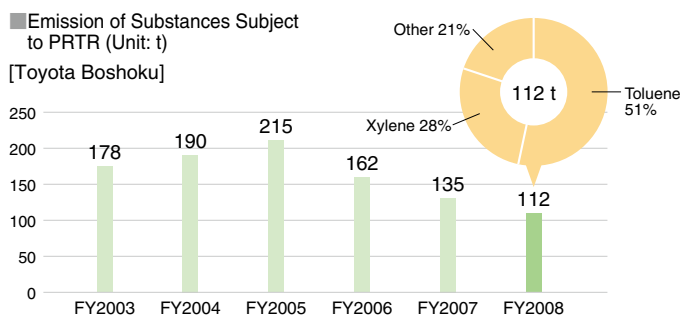
Following on previous year, in fiscal 2008, we improved the spray pattern of bumper paint for enhanced transfer efficiency and standardized the adhesive, reducing the number of times the application equipment is washed when replacing the adhesive. This reduces the amount of thinner used.



As a result, we met the target of 132 t with a reduction to 112 t (target ratio: 85%). We also met the 2010 Action Target of 199 t.

In future, we intend to introduce water-soluble paint for bumpers, optimize the amount applied, and reduce the amount of PRTR substances emitted.

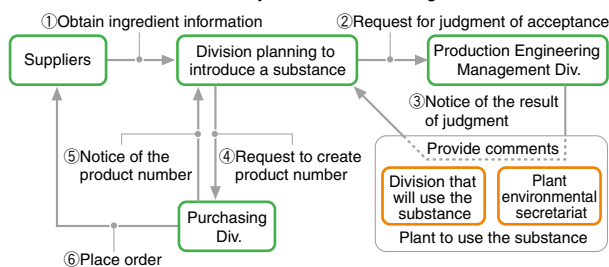
At all group companies, Toyota Boshoku is taking steps to reduce the use of chemicals. Our reduction activities are in line with the regulations of the relevant localities.



## Management of Chemical Substances in Production Processes

Before making judgments in selecting a new material in the planning phase, we perform chemical safety and hazard investigations by studying information such as the MSDS (Material Safety Data Sheet) composition of various alternatives to determine whether we should use them or not. By this, we avoid using banned substances.

### Flowchart of chemical safety and hazard investigations



## Reducing Waste

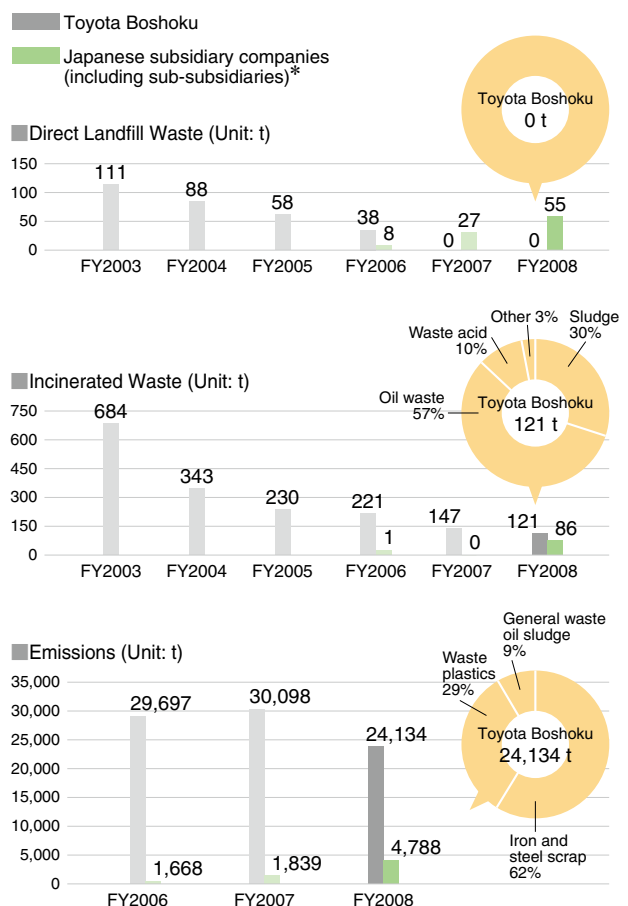
**Toyota Boshoku is reducing the amount of waste produced including direct landfill waste, incinerated waste, and waste sent to recycling contractors.**

### Waste reduction activities

Since fiscal 2007, Toyota Boshoku has continuously maintained direct landfill waste at 0 t.\*<sup>1</sup> For incinerated waste, we met the target of 126 t with a reduction to 121 t (target ratio: 96%). For both items, we also met the 2010

target of 41 t and 300 t respectively.

For waste,\*<sup>2</sup> we met the target of 26,350 t with a reduction to 24,134 t (target ratio: 92%) by further improving the yield for molded trim skin, recycling waste plastic from injection molding, and reducing fabric cuttings by making effective use of the whole cloth. Reduced production also contributed to waste reductions. With regard to the basic unit for waste, we achieved results of 4.0 t/billion of yen compared with the 2010 target of 4.8 t/billion yen due to the sudden drop in production. However, we did not reach the higher voluntary target of 35 t/billion yen.



\* 2 companies involved up to fiscal 2007, and 16 companies involved from fiscal 2008. For details, visit the Toyota Boshoku website.

\* Toyota Boshoku direct landfill waste for fiscal 2007 and 2008 was 0 t.

\* Incinerated waste for the Japan group for fiscal 2007 was 0 t.

### Future activities to reduce waste

In the future, we will expand our efforts towards material recycling by reusing cuttings from door trim skin and waste plastic from injection molding.

We share our best practices for reducing waste with other Toyota Boshoku group companies, and the whole group is pursuing activities towards the reduction of waste.

\*<sup>1</sup> Toyota Boshoku defines reducing direct landfill waste to 5% or less than the base year as zero direct landfill waste.

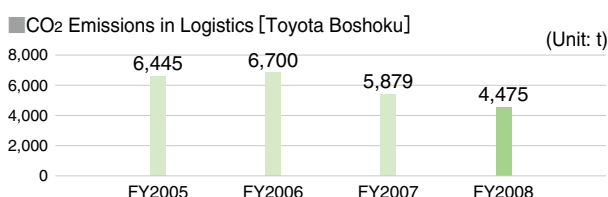
\*<sup>2</sup> Waste is defined as the total for direct landfill waste, incinerated waste, and waste sent to recycling contractors.

## Streamlining of Logistics

We are reducing CO<sub>2</sub> emissions in the transport of products by reducing the number of packages shipped, using more efficient loading methods, shortening routes and practicing modal shift. 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 CO<sub>2</sub> Emissions in Logistics

Each month, the company draws up transport plans so as to achieve greater efficiency in logistics. In fiscal 2008, we improved the loading rate for distribution between factories, which made it possible to reduce the number of trips. As a result, we met the target of 5,936 t-CO<sub>2</sub> with a reduction to 4,475 t-CO<sub>2</sub> (target ratio: 75%). We also achieved the 2010 target of 7,188 t-CO<sub>2</sub>. In future, we will work to reduce the

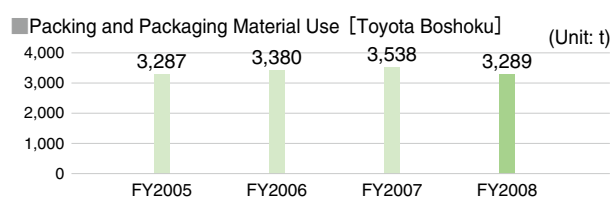


total distance traveled and make further improvements in the loading rate.

### ●Reducing the amount of packing and packaging materials

Toyota Boshoku promotes improvements in methods of packaging and works to reduce the amount of packaging materials used. In fiscal 2007 we started the switchover of packaging materials for bumpers from cardboard to bubble wrap. This year we continued to make many other improvements such as changing to backless door trim packaging and commercial packaging for elements. As a result, we met the target of 3,456 t with a reduction to 3,289t (target ratio: 95%), and also achieved the 2010 target of 3,677 t.

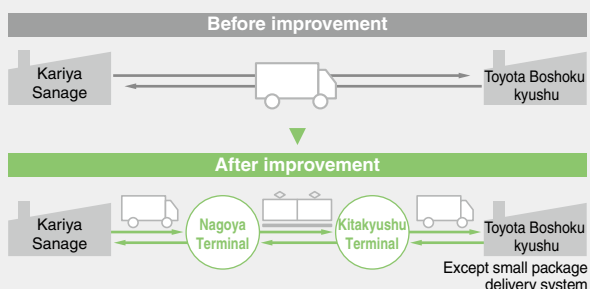
We will implement the improvements made in fiscal 2008 throughout the group and hold voluntary packaging research meetings four times a year to develop new ideas for improvements and make further reductions in the amount of packaging materials used.



### Cases of Major Improvement

#### Reducing CO<sub>2</sub> emissions with a modal shift in distribution

In the past, products were moved by truck between the Kariya and Sanage Plants and Toyota Boshoku kyushu. Now trucks are only used between the plant and rail terminal, and products are shipped by rail between Nagoya Terminal and Kitakyushu Terminal.



Reduction of CO<sub>2</sub> emissions:  
678 t-CO<sub>2</sub>/year (75% reduction compared to conventional method)

#### ►Staff Responsible for the Improvement

Makoto Yamanishi,  
Assistant Manager, Kariya Administration Dept.,  
Kariya Production Management Div.



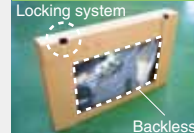
#### Reducing the amount of supply packaging materials

In order to use resources more effectively and improve work efficiency, we revised the packaging of door trim. By using reinforced cardboard, the thickness was reduced from 5 mm to 3 mm, making it lighter while using a locking system eliminated the need for craft tape. In addition, using backless packaging that matches the shape of the product reduces the area of individual packaging materials. As a result, we reduced annual consumption of packing material by 521 kg.

#### Before improvement



#### After improvement



Reduction of packaging materials: 161 g/1 product, 521 kg/year

#### ►Staff Responsible for the Improvement

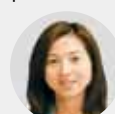
Logistics Control Div. Aftermarket Parts Supply Control Dept.



Tatsuya Katamoto,  
Assistant Manager



Minoru Fukami,  
Senior Expert



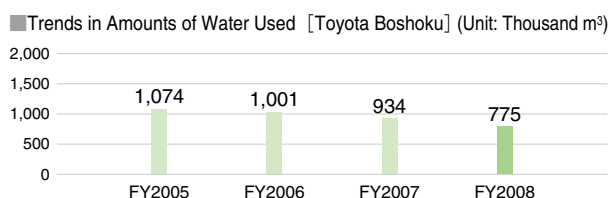
Kimika Isobe,  
Expert

## Initiatives on Water Resources and Soil

**Toyota Boshoku works actively to save water resources. We also purify soil and groundwater. We store and dispose of PCBs appropriately.**

### Conserving water resources

In fiscal 2008, Toyota Boshoku continued, among other measures, to use rainwater and to conduct inspections for leaks. As a result, we met the target of 878,000 m<sup>3</sup>/year for water consumption with a reduction to 775,000 m<sup>3</sup>/year (target ratio: 83%). We also achieved the 2010 target of 1,206,000 m<sup>3</sup>/year. We will continue to use rainwater and take initiatives to conserve water resources.



### Soil and Groundwater Purification

At Toyota Boshoku Kariya Plant, 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 since 1995.

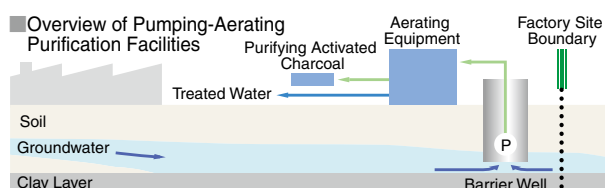
In 1996, the company began using the gas absorption-purification method in treating contaminated soils, completing the purification process in 1998. Following the installation of barrier well systems to prevent outflows in lower groundwater flows and pumping-aerating equipment, the company started with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

With regard to the status of purification, we conduct regular monitoring and report the results of these measurements to the administration. Starting in 2001, we have been

■ Results of Trichloroethylene Measurements in fiscal 2008 (Environmental Standard: 0.03 mg/ℓ) (Unit: mg/ℓ)

Name of Plant	Concentration in Groundwater within Grounds	Current Conditions
Kariya Plant	ND~0.033 (FY2006 results: ND~0.060 FY2007 results: ND~0.103)	Purification in Progress

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



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.

### Remediating soil contamination at the Sanage Plant

When we built the new technology building at the Sanage Plant we conducted a voluntary soil survey in line with the Aichi Prefecture ordinance concerning protection of the living environment of citizens. However, we found fluorine and arsenic compounds that exceeded the environmental standards.

In December 2008, we reported the matter to Toyota City and the local community. With cooperation and guidance from the city, we took countermeasures and carried out groundwater surveys at nine locations within and around the site. No groundwater contamination was found. We handled the contaminated soil in conformity with the Soil Contamination Countermeasures Law.

We will continue to monitor groundwater on a regular basis.

### Preventing contamination of soil and groundwater

Measures for preventing contamination of soil and groundwater through under-seepage of oils are scheduled for completion in fiscal 2009. These include measures against leakage, such as double lining for underground pits and locating facilities and piping above ground. These measures will be incorporated in all future new facilities.



Lining of underground pits

### PCB Storage Conditions

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 manage 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 2008, 10 capacitors at Oguchi Plant were properly processed at the Japan Environmental Safety Corporation's Toyota Facility. We will continue to treat PCBs in a systematic manner.

Plant Where Stored	Capacitors	Ballasts	Other
Gifu Plant	18	0	0
Oguchi Plant	41	21	Carbonless Paper(80 kg)
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.



## Third-Person View

The Toyota Boshoku group sought the opinion and recommendations of Satoru Akada as a third party view concerning our global environmental conservation activities in fiscal 2008.

Mr. Akada is Director and Managing Officer of the Steel Structure Division at Hokoku Kogyo Co., Ltd. He is also an Environmental Counselor (Industrial Department / Civil Department).



**Mr. Satoru Akada**

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

Based on this report, inspection of related materials, and interviews with the managers of the Environmental Management Dept., he offered the following impressions of our environmental initiatives.

### Highly commendable efforts

I offer my respect for the company's efforts to strengthen its global activities in reducing CO<sub>2</sub> at all group companies, as a business operating with a worldwide scope.

Specifically, I would draw attention to the environmental education conducted globally for environment staff, and the Global Awards presented to business units which stimulates the activities of employees while raising their awareness. The first Environment Award went to the TBDN Tennessee company, not only for energy saving in the plant but also for programs to check the tire pressure of cars used for commuting, and cleanup around the plant, which helped raise awareness in employees' homes and the local community.

Looking to the future, I hope the company will take Japan's superior energy saving technology and global environmental conservation activities to the wider world through the company's "one hub per region management".



Through the TB-EK activities started last year, environmental solutions are steadily taking hold

horizontally throughout all business activities. In addition, with the aim of being a truly eco-friendly company, the factories themselves are undertaking sustainable plant activities — the solar power generation system at the Gifu Plant, the solar water heating facilities at the Sanage Dormitory, and the RPF facility at the Tsutsumi Plant are impressive examples of committed investment in environmental protection. I would like the company to continue this active approach and lead the industry with an even higher level of action that does not depend on increases or decreases in production.

### Efforts that need to be taken a step further

The company has achieved all the targets of the 2010 Environmental Action Plan — prevention of global warming, reduction of substances of concern, recycling of resources and environmental management. In particular, the target ratio for CO<sub>2</sub> emissions in the 80% range is a good result. This report makes it clear that these figures were affected by the decline in production, but I think that analysis of the impact of the company's reduction activities is necessary. This analysis should make it possible to find the optimum basic unit for emissions, not only linked to sales, worthy of a global corporation.



At the Kariya Plant, contamination studies of soil and groundwater are carried out periodically and the results are announced to the local government and residents in an appropriate way. I would like the company to expand these environmental communication activities globally.

For conservation of water resources, the company achieved good results with a target ratio of 83%, but in the written report, the effects of water conservation and use of rainwater are not clear. In particular, the company's technologies for using rainwater will be of value not only to group companies but to the rest of the industry as well, and so I hope the company will disclose them pro-actively.

# Financial Summary

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

TOYOTA BOSHOKU CORPORATION Years ended March 31

	2009	2008	2007	2006
(Millions of yen/Millions of U.S. dollars)			(Note 1)	
Net sales	¥979,775	¥1,233,789	¥1,082,755	¥877,596
Operating income	14,054	65,596	48,381	33,764
Ordinary income	13,292	65,696	52,143	37,838
Net income	(5,064)	40,720	30,105	21,187
Total net assets	189,038	226,880	197,797	133,279
Capital stock	8,400	8,400	8,400	8,400
Total assets	466,506	527,622	464,747	396,691
Capital expenditures	60,496	52,961	47,550	50,480
Depreciation and amortization	32,493	32,940	29,377	21,344
R&D expenses	28,968	31,717	26,404	24,828
<b>Per Share</b> (Yen/U.S. dollars)				
Net income(Basic)	¥ (27.15)	¥217.76	¥160.76	¥111.60
Net income (Diluted) (Note 6)	—	217.55	160.70	111.58
Cash dividends	20.00	35.00	24.00	16.00
Net assets	848.01	997.43	858.86	709.91
<b>Financial Indicators</b> (%)				
Operating income to net sales	1.4	5.3	4.5	3.8
Ordinary income to net sales	1.4	5.3	4.8	4.3
Return on equity (ROE)	(2.9)	23.5	20.5	17.5
<b>Shareholders' Equity</b> (at the end of each FY)				
Number of shares issued (Thousands)	187,665	187,665	187,665	187,665
Share price (Yen, U.S. dollars)	1,011	2,985	2,790	1,984
Market capitalization (Millions of yen, Millions of U.S. dollars) (Note 7)	189,730	560,182	523,587	372,328
<b>Number of employees</b>	27,078	26,942	24,643	21,132

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.

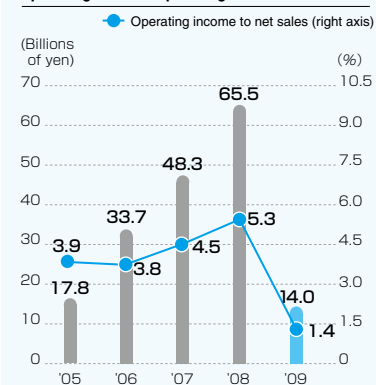
4. Three plants have been taken over as a result of a merger with Toyota Kakoh Co., Ltd. in October 2000.

5. Figures in U.S. Dollars for 2009 were converted at ¥98.23, the exchange rate as of March 31, 2009.

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

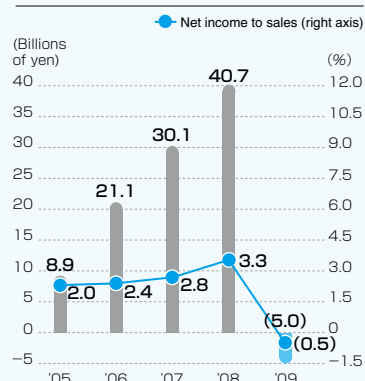
7. Market capitalization is calculated by multiplying the number of outstanding shares at the end of the fiscal year by the share price at the end of the period.

### Operating income/Operating income to net sales

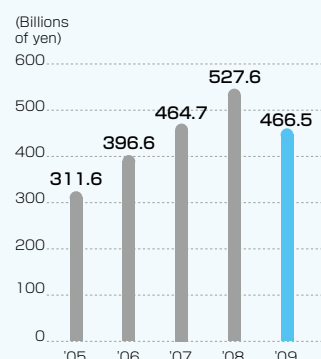


2005	2004	2003	2002	2001	2000	2009
(Note 2)	(Note 3)	(Note 3)	(Note 3)	(Note 3,4)	(Note 3)	(Note 5)
¥456,311	¥118,553	¥107,321	¥91,864	¥81,792	¥50,109	\$9,974
17,867	5,331	5,034	4,337	3,980	2,579	143
19,109	5,314	5,006	4,372	3,924	2,551	135
8,979	2,839	3,002	2,507	570	1,375	(51)
109,470	29,396	26,966	25,414	23,555	18,314	1,924
8,400	4,933	4,933	4,933	4,933	4,558	85
311,655	71,433	64,526	60,269	52,087	38,137	4,749
21,306	6,941	7,814	6,327	6,612	8,562	615
14,273	5,774	5,872	6,016	5,108	4,162	330
15,236	5,570	4,646	3,472	3,075	2,330	294
¥68.65	¥40.95	¥43.33	¥37.33	¥9.00	¥23.05	\$ (0.27)
68.56	40.93	—	—	—	—	—
12.00	9.00	8.00	7.00	6.50	6.50	0.20
583.31	439.86	403.42	378.36	350.67	306.92	8.63
3.9	4.5	4.7	4.7	4.9	5.1	—
4.2	4.5	4.7	4.8	4.8	5.1	—
12.9	10.1	11.5	10.2	2.7	7.8	—
187,665	67,174	67,174	67,174	67,174	59,674	—
2,630	899	531	671	671	778	\$10.29
493,560	60,389	35,669	45,073	45,073	46,426	\$1,931
18,068	3,494	3,089	2,750	2,135	1,584	—

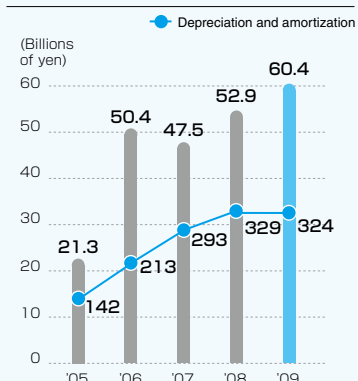
## Net income/Net income to sales



## Total assets



## Capital expenditures/Depreciation and amortization





# Consolidated Balance Sheets

TOYOTA BOSHOKU CORPORATION As of March 31, 2009 and 2008

(Assets)	Millions of yen		Millions of U.S. dollars
	2009	2008	2009
<b>Current assets</b>			
Cash and deposit	¥51,206	¥70,421	\$521
Notes and accounts receivable-trade	80,987	163,639	824
Short-term investment securities	55,478	22,883	564
Inventories	—	29,181	—
Merchandise and finished goods	4,520	—	46
Work in process	12,619	—	128
Raw materials and supplies	16,567	—	168
Deferred tax assets	3,773	6,502	38
Other current assets	23,290	23,652	237
Allowance for doubtful accounts	(833)	(598)	(8)
<b>Total current assets</b>	<b>247,610</b>	<b>315,683</b>	<b>2,520</b>
<b>Noncurrent assets</b>			
<b>Property, plant and equipment</b>			
Buildings and structures	120,974	116,711	1,231
Accumulated depreciation	(55,895)	(53,381)	(569)
Buildings and structures, net	65,078	63,330	662
Machinery, equipment and vehicles	190,515	179,957	1,939
Accumulated depreciation	(117,521)	(111,187)	(1,196)
Machinery, equipment and vehicles, net	72,994	68,769	743
Tools, furniture and fixtures	84,813	81,289	863
Accumulated depreciation	(72,340)	(68,399)	(736)
Tools, furniture and fixtures, net	12,473	12,889	126
Land	19,865	19,739	202
Lease assets	115	—	1
Accumulated depreciation	(26)	—	(0)
Lease assets, net	89	—	0
Construction in progress	15,956	11,144	162
<b>Total property, plant and equipment</b>	<b>186,457</b>	<b>175,872</b>	<b>1,898</b>
<b>Intangible assets</b>			
Goodwill	4,384	2,702	44
Other intangible assets	956	4,614	9
<b>Total intangible assets</b>	<b>5,341</b>	<b>7,316</b>	<b>54</b>
<b>Investments and other assets</b>			
Investment securities	7,330	9,025	74
Deferred tax assets	14,270	15,021	145
Other investments	5,661	4,865	57
Allowance for doubtful accounts	(165)	(163)	(1)
<b>Total investments and other assets</b>	<b>27,096</b>	<b>28,749</b>	<b>275</b>
<b>Total noncurrent assets</b>	<b>218,895</b>	<b>211,938</b>	<b>2,228</b>
<b>Total assets</b>	<b>¥466,506</b>	<b>¥527,622</b>	<b>\$4,749</b>

	Millions of yen		Millions of U.S. dollars
(Liabilities and net assets)	2009	2008	2009
<b>Current liabilities</b>			
Notes and accounts payable-trade	¥91,402	¥164,685	\$930
Short-term loans payable	11,505	18,726	117
Current portion of long-term loans payable	564	162	5
Accrued expenses	25,403	27,779	258
Income taxes payable	1,965	6,796	20
Provision for product warranties	1,677	2,143	17
Provision for bonuses to directors and corporate auditors	92	293	0
Other current liabilities	12,739	18,552	129
<b>Total current liabilities</b>	<b>145,351</b>	<b>239,138</b>	<b>1,479</b>
<b>Noncurrent liabilities</b>			
Long-term loan payable	107,013	37,020	1,089
Allowance for employee retirement benefits	21,040	20,037	214
Provision for retirement benefits for directors and corporate auditors	688	807	7
Other noncurrent liabilities	3,372	3,737	34
<b>Total noncurrent liabilities</b>	<b>132,116</b>	<b>61,603</b>	<b>1,344</b>
<b>Total liabilities</b>	<b>277,467</b>	<b>300,741</b>	<b>2,824</b>
<b>(Net assets)</b>			
<b>Shareholders' equity</b>			
Capital stock	8,400	8,400	85
Capital surplus	9,122	9,125	92
Retained earnings	162,658	174,772	1,655
Treasury stock	(3,055)	(1,880)	(31)
<b>Total shareholders' equity</b>	<b>177,125</b>	<b>190,417</b>	<b>1,803</b>
<b>Valuation and translation adjustment</b>			
Net unrealized gains on other securities	653	1,254	6
Deferred gains or losses on hedges	—	13	—
Foreign currency translation adjustment	(19,775)	(5,330)	(201)
<b>Total valuation and translation adjustment</b>	<b>(19,122)</b>	<b>(4,061)</b>	<b>(194)</b>
<b>Subscription rights to shares</b>	<b>402</b>	<b>155</b>	<b>4</b>
<b>Minority interests</b>	<b>30,632</b>	<b>40,368</b>	<b>311</b>
<b>Total net assets</b>	<b>189,038</b>	<b>226,880</b>	<b>1,924</b>
<b>Total liabilities and net assets</b>	<b>¥466,506</b>	<b>¥527,622</b>	<b>\$4,749</b>

# Consolidated Statements of Income

TOYOTA BOSHOKU CORPORATION For the years ended March 31, 2009 and 2008

	Millions of yen		Millions of U.S. dollars
	2009	2008	2009
<b>Net sales</b>	<b>¥979,775</b>	<b>¥1,233,789</b>	<b>\$9,974</b>
<b>Cost of sales</b>	<b>916,645</b>	<b>1,122,775</b>	<b>9,331</b>
<b>Gross profit</b>	<b>63,130</b>	<b>111,013</b>	<b>642</b>
<b>Selling, general and administrative expenses</b>			
Transportation and warehousing expenses	6,325	5,421	64
Salaries and bonuses	18,377	16,040	187
Welfare expenses	1,904	1,668	19
Retirement benefit expenses	638	570	6
Provision for bonuses to directors and corporate auditors	92	292	0
Provision for directors retirement benefits	354	371	3
Taxes and dues	1,090	1,090	11
Depreciation	2,229	1,765	22
Research and development expenses	1,491	1,784	15
Amortization of goodwill	749	291	7
Other selling, general and administrative expenses	15,822	16,119	161
<b>Total selling, general and administrative expenses</b>	<b>49,076</b>	<b>45,416</b>	<b>499</b>
<b>Operating income</b>	<b>14,054</b>	<b>65,596</b>	<b>143</b>
<b>Non-operating income</b>			
Interest income	1,713	2,145	17
Dividends income	64	60	0
Rent income on noncurrent assets	731	722	7
Equity in net earnings of affiliates	1,370	1,811	13
Gain on valuation of derivatives	432	1,097	4
Other non-operating income	3,404	3,318	34
<b>Total non-operating income</b>	<b>7,717</b>	<b>9,155</b>	<b>78</b>
<b>Non-operating expenses</b>			
Interest expenses	1,726	1,958	17
Loss on retirement of noncurrent assets	693	786	7
Depreciation	1,099	1,094	11
Foreign exchange losses	2,501	2,957	25
Other non-operating expenses	2,458	2,258	25
<b>Total non-operating expenses</b>	<b>8,479</b>	<b>9,055</b>	<b>86</b>
<b>Ordinary income</b>	<b>13,292</b>	<b>65,696</b>	<b>135</b>
<b>Extraordinary income</b>			
Adjustment income of prior period stock of chinese group company	—	1,604	—
<b>Total extraordinary gains</b>	<b>—</b>	<b>1,604</b>	<b>—</b>
<b>Income before income taxes</b>	<b>13,292</b>	<b>67,301</b>	<b>135</b>
Income taxes-current	8,146	17,008	82
Income taxes-deferred	3,827	(2,963)	38
<b>Total income taxes</b>	<b>11,973</b>	<b>14,045</b>	<b>121</b>
<b>Minority interest in net income of subsidiaries</b>	<b>6,383</b>	<b>12,535</b>	<b>64</b>
<b>Net income or loss</b>	<b>¥(5,064)</b>	<b>¥40,720</b>	<b>\$ (51)</b>

	Yen		U.S. dollars
Per share:	2009	2008	2009
Net income			
Basic	¥(27.15)	¥217.76	\$ (0.27)
Diluted	—	217.55	—
Cash dividends	20.00	35.00	0.20

# Consolidated Statements of Changes in Net Assets

TOYOTA BOSHOKU CORPORATION For the years ended March 31, 2009 and 2008

Millions of yen					
Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of March 31, 2007</b>	¥8,400	¥9,104	¥139,664	¥(373)	¥156,795
<b>Changes of items during the period</b>					
Dividends from surplus	—	—	(5,611)	—	(5,611)
Net income	—	—	40,720	—	40,720
Purchase of treasury stock	—	—	—	(1,570)	(1,570)
Disposal of treasury stock	—	21	—	63	84
Net changes of items other than shareholders' equity during accounting period	—	—	—	—	—
<b>Total changes of items during the period</b>	—	21	35,108	(1,507)	33,622
<b>Balance as of March 31, 2008</b>	¥8,400	¥9,125	¥174,772	¥(1,880)	¥190,417

Millions of yen							
Valuation and translation adjustments							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
<b>Balance as of March 31, 2007</b>	¥1,937	¥58	¥2,060	¥4,056	¥16	¥36,929	¥197,797
<b>Changes of items during the period</b>							
Dividends from surplus	—	—	—	—	—	—	(5,611)
Net income	—	—	—	—	—	—	40,720
Purchase of treasury stock	—	—	—	—	—	—	(1,570)
Disposal of treasury stock	—	—	—	—	—	—	84
Net changes of items other than shareholders' equity during accounting period	(682)	(44)	(7,390)	(8,118)	139	3,439	(4,539)
<b>Total changes of items during the period</b>	(682)	(44)	(7,390)	(8,118)	139	3,439	29,083
<b>Balance as of March 31, 2008</b>	¥1,254	¥13	¥(5,330)	¥(4,061)	¥155	¥40,368	¥226,880



Millions of yen					
Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of March 31, 2008</b>	¥8,400	¥9,125	¥174,772	¥(1,880)	¥190,417
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	(620)	—	(620)
<b>Changes of items during the period</b>					
Dividends from surplus	—	—	(6,531)	—	(6,531)
Net income	—	—	(5,064)	—	(5,064)
Purchase of treasury stock	—	—	—	(1,188)	(1,188)
Disposal of treasury stock	—	(2)	—	13	10
Change of scope of equity method	—	—	101	—	101
Net changes of items other than shareholders' equity during accounting period	—	—	—	—	—
<b>Total changes of items during the period</b>	—	(2)	(12,114)	(1,175)	(13,292)
<b>Balance as of March 31, 2009</b>	¥8,400	¥9,122	¥162,658	¥(3,055)	¥117,125

Millions of yen							
Valuation and translation adjustments							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
<b>Balance as of March 31, 2008</b>	¥1,254	¥13	¥(5,330)	¥(4,061)	¥155	¥40,368	¥226,880
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	—	—	—	(620)
<b>Changes of items during the period</b>							
Dividends from surplus	—	—	—	—	—	—	(6,531)
Net income	—	—	—	—	—	—	(5,064)
Purchase of treasury stock	—	—	—	—	—	—	(1,188)
Disposal of treasury stock	—	—	—	—	—	—	10
Change of scope of equity method	—	—	—	—	—	—	101
Net changes of items other than shareholders' equity during accounting period	(600)	(13)	(14,445)	(15,060)	247	(9,735)	(24,549)
<b>Total changes of items during the period</b>	(600)	(13)	(14,445)	(15,060)	247	(9,735)	(37,842)
<b>Balance as of March 31, 2009</b>	¥653	—	¥(19,775)	¥(19,122)	¥402	¥30,632	¥189,038

Millions of U.S. dollars					
Shareholders' equity					
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance as of March 31, 2008</b>	\$85	\$92	\$1,779	\$ (19)	\$1,938
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	(6)	—	(6)
<b>Changes of items during the period</b>					
Dividends from surplus	—	—	(66)	—	(66)
Net income	—	—	(51)	—	(51)
Purchase of treasury stock	—	—	—	(12)	(12)
Disposal of treasury stock	—	(0)	—	0	0
Change of scope of equity method	—	—	1	—	1
Net changes of items other than shareholders' equity during accounting period	—	—	—	—	—
<b>Total changes of items during the period</b>	—	(0)	123	(11)	(135)
<b>Balance as of March 31, 2009</b>	\$85	\$92	\$1,655	\$ (31)	\$1,192

Millions of U.S. dollars							
Valuation and translation adjustments							
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total valuation and translation adjustments	Subscription rights to shares	Minority interests	Total net assets
<b>Balance as of March 31, 2008</b>	\$12	\$0	\$ (54)	\$41	\$1	\$410	\$2,309
Effect of changes in accounting policies applied to foreign subsidiaries	—	—	—	—	—	—	(6)
<b>Changes of items during the period</b>							
Dividends from surplus	—	—	—	—	—	—	(66)
Net income	—	—	—	—	—	—	(51)
Purchase of treasury stock	—	—	—	—	—	—	(12)
Disposal of treasury stock	—	—	—	—	—	—	0
Change of scope of equity method	—	—	—	—	—	—	1
Net changes of items other than shareholders' equity during accounting period	(6)	(0)	(147)	(153)	2	(99)	(249)
<b>Total changes of items during the period</b>	(6)	(0)	(147)	(153)	2	(99)	(385)
<b>Balance as of March 31, 2009</b>	\$6	—	\$ (201)	\$ (194)	\$4	\$311	\$1,924

# Consolidated Statements of Cash Flows

TOYOTA BOSHOKU CORPORATION For the years ended March 31, 2009 and 2008

	Millions of yen		Millions of U.S. dollars
	2009	2008	2009
<b>Cash flows from operating activities</b>			
Income before income taxes	¥13,292	¥67,301	\$135
Depreciation and amortization	31,672	32,940	322
Increase in allowance for doubtful accounts	247	62	2
Increase in provision for employee retirement benefits	360	13	3
Interest and dividends income	(1,777)	(2,205)	(18)
Interest expenses	1,726	1,958	17
Foreign exchange loss	18	2,284	0
Equity in earnings of affiliates	(1,370)	(1,811)	(13)
Gain on sales of property, plant and equipment	(362)	(605)	(3)
Loss on retirement of property, plant and equipment	693	976	7
Decrease (increase) in trade notes and accounts receivable	75,494	(13,687)	768
Increase in inventories	(6,702)	(3,969)	(68)
Increase in accounts receivable-other	1,710	—	17
Increase(decrease) in notes and accounts payable-trade	(66,359)	7,659	(675)
Decrease in accounts payable-other	(1,537)	—	(15)
Decrease in accrued expenses	(1,591)	—	(16)
Others	807	(3,797)	8
Sub-total	46,322	87,119	471
Interest and dividend income received	3,413	4,041	34
Interest expenses paid	(1,701)	(1,646)	(17)
Income taxes paid	(12,922)	(17,143)	(131)
<b>Net cash provided by operating activities</b>	<b>35,111</b>	<b>72,371</b>	<b>357</b>
<b>Cash flows from investment activities</b>			
Purchase of property, plant and equipment	(60,229)	(50,372)	(613)
Proceeds from sales of property, plant and equipment	1,366	2,139	13
Purchase of investments in securities	(212)	(853)	(2)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(3,059)	—
Purchase of investment in securities	(3,300)	—	(33)
Payments of loans receivable	(1,657)	—	(16)
Collection of loans receivable	149	324	1
Payments into time deposits	(9,148)	(1,131)	(93)
Proceeds from withdrawal of time deposits	5,375	1,474	54
Others	(81)	(957)	(0)
<b>Net cash used in investing activities</b>	<b>(67,739)</b>	<b>(52,434)</b>	<b>(689)</b>
<b>Cash flows from financing activities</b>			
Net decrease in short-term loans payable	(5,502)	(2,009)	(56)
Proceeds from long-term loans payable	71,400	31,435	726
Repayments of long-term loans payable	(806)	(1,626)	(8)
Purchase of treasury stock	(1,188)	(1,570)	(12)
Cash dividends paid	(6,531)	(5,608)	(66)
Cash dividends paid to minority shareholders	(10,415)	(5,141)	(106)
Proceeds from stock issuance to minority shareholders	452	489	4
Others	116	84	1
<b>Net cash provided by financing activities</b>	<b>47,525</b>	<b>16,053</b>	<b>483</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(4,720)</b>	<b>(3,799)</b>	<b>(48)</b>
<b>Net increase in cash and cash equivalents</b>	<b>10,176</b>	<b>32,191</b>	<b>103</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>92,280</b>	<b>60,089</b>	<b>939</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥102,457</b>	<b>¥92,280</b>	<b>\$1,043</b>

## Representative Directors



President Shuhei Toyoda    Executive Vice President Mitsuyuki Noguchi    Chairman Tokuichi Uranishi    Executive Vice President Hiroyoshi Ono    Executive Vice President Ritsuo Torii

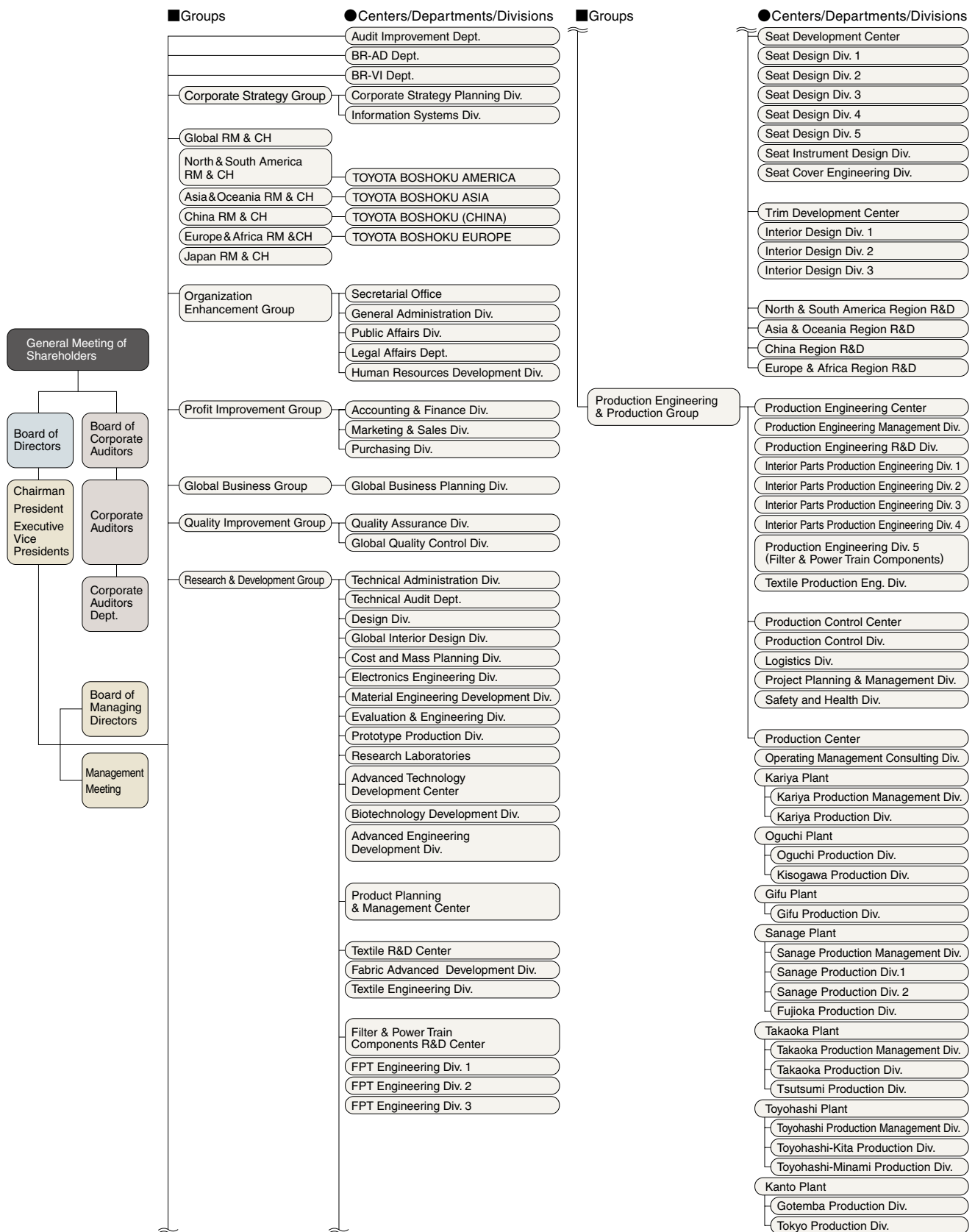
## Directors and Auditors

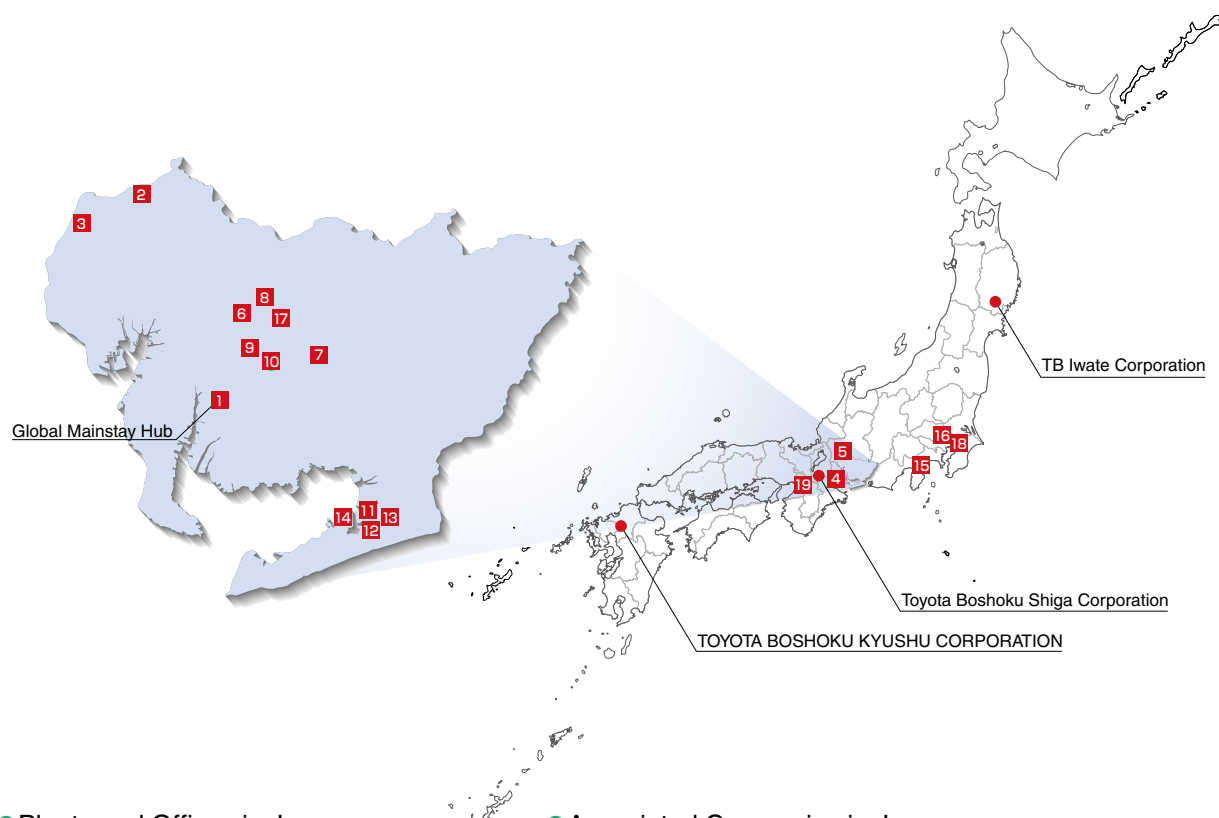
Chairman	Tokuichi Uranishi
President	Shuhei Toyoda
Executive Vice Presidents	Mitsuyuki Noguchi Hiroyoshi Ono Ritsuo Torii
Senior Managing Directors	Yasushi Nakagawa Hideo Kawakubo
Managing Directors	Akira Furusawa Koichi Terasaka Koji Iida Masaki Katsuragi Eiji Suzuki Toshimitsu Watanabe Katashi Sakai
Director (with Senior Managing Director Status)	Kiyoshi Furuta
Directors (with Managing Director Status)	Fumitaka Ito
Directors	Kazuo Okamoto Hiromi Tokuda
Standing Corporate Auditors	Tadashi Naito Yoshinori Ito
Corporate Auditors	Tadashi Ishikawa Akio Toyoda Ryuichi Hamada

## Managing Officers and Officers

Managing Officers	Yasunobu Hara Toru Miyata Hiroshi Ueda Takumi Shimizu Kenichi Noda Shigetoshi Miyoshi Haruo Fujimon Kazuhiko Miyadera
Officers	Yasuhiko Sugie Makoto Ooshima Yoshihiro Yamada Takamichi Taki Kouhei Hori Atsushi Toyoshima Tokuji Yamauchi Hisashi Mori Yasushi Yoshikawa Suguru Sakakibara Teruo Suzuki Yoshihiro Ito







## ● Plants and Offices in Japan

Base	Products
<b>1</b> Global Mainstay Hub	
<b>1</b> Kariya Plant	Air filters, oil filters, cabin air filters, revolving sensors, ABS coils, etc.
<b>2</b> Oguchi Plant	Molded headliners, seat fabrics, silencers, blended yarns, airbag base fabrics, fender liners, etc.
<b>3</b> Kisogawa Plant	Straps and other interior components
<b>4</b> Inabe Plant	Interior components
<b>5</b> Gifu Plant	Bumpers
<b>6</b> Sanage Plant	Seats, door trims and other interior components
<b>7</b> Shimoyama Plant	Seat covers
<b>8</b> Fujioka Plant	Door trims
<b>9</b> Takaoka Plant	Seats and door trims
<b>10</b> Tsutsumi Plant	Floor carpets and other interior components
<b>11</b> Toyohashi-Kita Plant	Seats
<b>12</b> Toyohashi-Minami Plant	Door trims and seat covers
<b>13</b> Toyohashi-Higashi Plant	Floor carpets
<b>14</b> Tahara Plant	Interior components
<b>15</b> Gotemba Plant	Seats and door trims
<b>16</b> Tokyo Plant	Door trims and intake manifolds
<b>17</b> Tsuchihashi Plant	
<b>18</b> Tokyo Marketing Office	
<b>19</b> Osaka Marketing Office	

## ● Associated Companies in Japan

### Subsidiaries (Including sub-subsidiaries)

#### ■ Manufacturing Companies

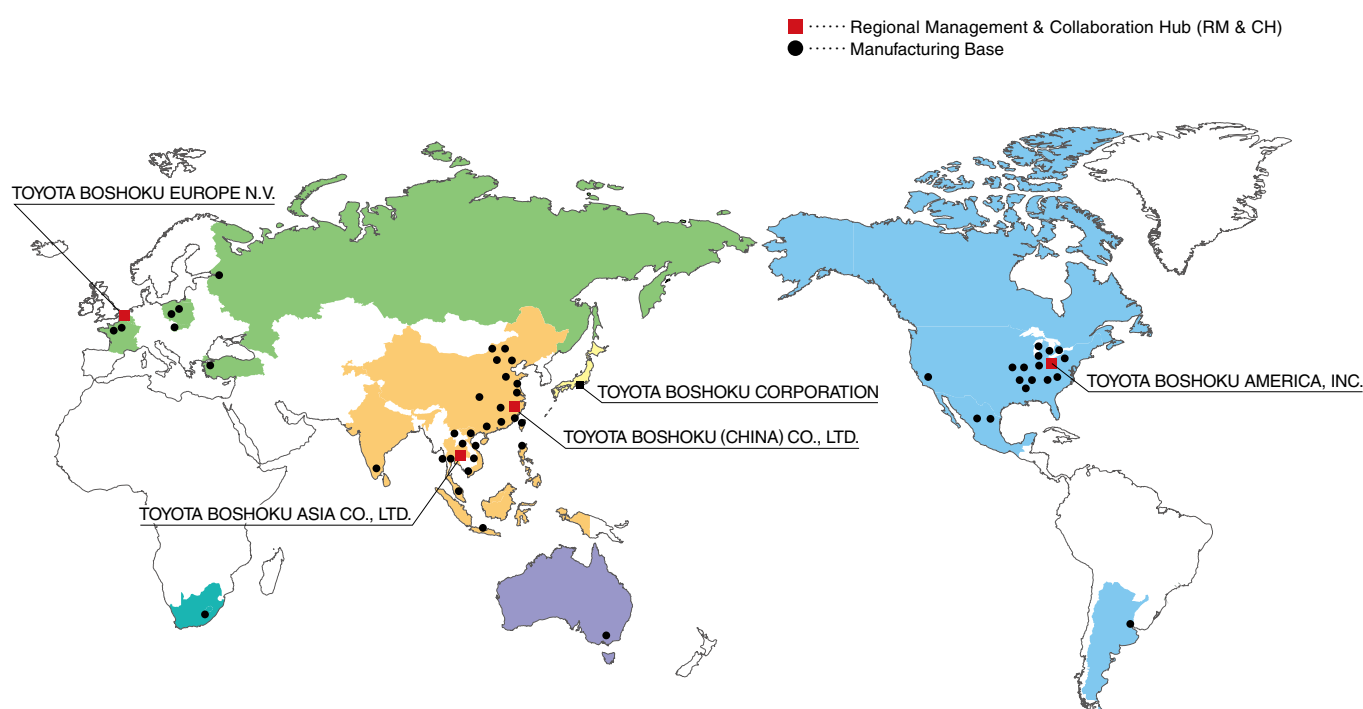
- KYOEI ARACO Co., Ltd. — Manufacture and sales of seats and seat covers
- Co-Werk Co., Ltd. — Manufacture and sales of interior components
- TB Iwate Corporation — Manufacture and sales of auto components
- TOYOTA BOSHOKU KYUSHU CORPORATION — Manufacture and sales of seats, door trims and other interior components
- Toyota Boshoku Tohoku Corporation — Manufacture and sales of 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 and 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 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



## Main Regional Management &amp; Collaboration Hubs and manufacturing bases

● North America Region		Company	Established	Product or Function
America	■	TOYOTA BOSHOKU AMERICA, INC.	May 2001	〈North & South America RM & CH〉 Development, design, manufacture and sales of seats and interior components
	●	ARJ MANUFACTURING, L.L.C.	June 2001	Manufacture and sales of seat components
	●	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.	November 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	Under development
	●	TRIM MASTERS, INC.	October 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 Region		Company	Established	Product 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 Region		Company	Established	Product or Function
China	■	TOYOTA BOSHOKU (CHINA) CO., LTD.	March 2002	〈China RM & CH〉 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) Auto Seat Parts Co., Ltd.	September 2004	Manufacture and sales of seat components
	●	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 Region	Company	Established	Product 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 seat components
	● 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 & Oceania RM & CH〉 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 seat components
	● 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 Region	Company	Established	Product or Function
Belgium	■ TOYOTA BOSHOKU EUROPE N.V.	July 2005	〈Europe & Africa RM & CH〉 Sales of seats and interior components
France	● TOYOTA BOSHOKU FRANCE S.A.S.	January 2005	Manufacture and sales of bumpers
	● TOYOTA BOSHOKU SOMAIN S.A.S.	October 2008	Manufacture and sales of seats
Poland	● TBAI POLAND Sp. z o.o.	January 2009	Manufacture and sales of seat components
	● 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 Region	Company	Established	Product or Function
South Africa	● TOYOTA BOSHOKU SOUTH AFRICA (PTY) LTD.	July 2005	Manufacture and sales of seats and interior components

● Oceania Region	Company	Established	Product or Function
Australia	● TOYOTA BOSHOKU AUSTRALIA PTY LTD	October 2002	Manufacture and sales of seats and interior components



