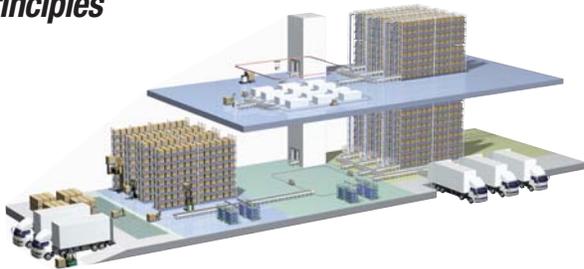




AL Business



Providing Logistics Solutions Using Toyota's Kaizen (Continuous Improvement) Principles



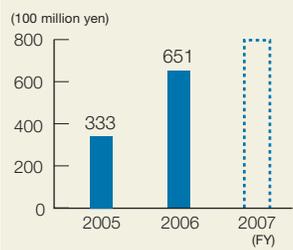
Environmental Responsibilities

- To reduce impact on the environment through rationalization of logistics

Social Responsibilities

- To provide comprehensive services to help our customers achieve improved operating results
- To achieve thorough compliance with relevant laws and regulations

Sales of Logistics Business



Transforming Logistics into a High Value-Added Business

Toyota Industries entered the logistics business in 2002 in response to requests from many of our customers to help them develop Advanced Logistics (AL) operations that draw on Toyota's continuous improvement *kaizen* (continuous improvement) principles, which we have cultivated in production operations. Despite launching this new business with *kaizen* as our advantage, improvements made at distribution centers had only a limited effect and did not greatly satisfy our customers. We decided, therefore, to pursue the total optimization of logistics operations from the standpoint of shoppers. This meant applying *kaizen* to the entire supply chain, both upstream and

downstream from the distribution centers. In other words, to make improvements across the entire supply chain; from the production sources upstream through to the stores downstream. This is a "market-in" approach to logistics that can supply the required products when they are needed in the quantities that they are needed in accordance with the demands of the market. By applying *kaizen* to the entire logistics supply chain, we believe that we can achieve results in more processes and on a greater scale, thus making more customers happy.

Toyota Industries' AL business does not merely engage in establishing and operating logistics centers for our customers. We assist customers, particularly retailers with in-store distribution problems, such as at shelves or in backyard operations, by introducing Toyota Production System (TPS) principles, thus promoting reform from a comprehensive perspective that is not limited to distribution centers. In the future, we expect to proactively provide solutions, including the co-sharing of logistics operations in particular industries and improving the production sites of manufacturers. Our ultimate goal is to achieve "total logistics optimization" that provides comprehensive, integrated solutions for the entire process from production sites to the checkout counter of retail stores and through to the end customer.

In the four years since launching this business, our customer base has expanded to include many industries, such as the food, daily goods, pharmaceutical products, home improvement and mail order industries. In the past, logistics and logistics departments used to be regarded as cost centers that only generate expenses. In order to change the way industries perceives, improvements are needed that will turn logistics operation into profit centers with high levels of value-add, as well as the thorough implementation of compliance that is the premise for such improvements. The pursuit of "total logistics optimization" should enable the reduction of excessive loading and labor, but it is first necessary to increase awareness about regulatory compliance in the industry overall.

Based on this belief, Toyota Industries established the Compliance Group within its Advanced Logistics Division in March 2005. The Compliance Group organizes the massive quantities of laws and regulations according to the relevant industry and operational theme, and prepares and uses checklists for the company to check the status of compliance with those laws and regulations. In taking this initiative with regard to our compliance efforts, we require other logistics companies with which we cooperate to do the same.

To attempt to achieve total logistics optimization and transform logistics operations into a high value-added business – this is the prime social responsibility of Toyota Industries' Advanced Logistics business.



In-store *kaizen* consulting

Topics

Three Pillars of AL Business - Goods, Cash and Information

The AL business aims to adapt improvements made to physical distribution operations and develop solutions for a wider range of supply chains, namely moving money and information. Asahi Securities Co., Ltd, a subsidiary acquired in March 2005, handles cash collections and deliveries, and Wanbishi Archives, with which Toyota Industries concluded a business and capital alliance in January 2006, handles information. With these two companies, as well as Fuji Logistics, with which we concluded a business and capital alliance in March 2004, we have now put into place the three main pillars of the Advanced Logistics – goods, cash and information. As we continue to increase the strength of these three pillars, we hope to introduce unprecedented business models that will generate synergies between them.