



Toward Co-Existence and Co-Prosperity with Business Partners

Toyota Industries Is Working to Realize Co-Existence and Co-Prosperity with Our Business Partners, Based on Fair Trade and Transactions

Toyota Industries conducts a wide range of business operations and procures components, material, and equipment in a variety of areas from business partners all over the world.

We work toward the realization of co-existence and co-prosperity with business partners from a long term perspective. In addition to purchasing goods at lower costs and with better quality at the time they are needed based on fair trading practices, we cooperate with our business partners in responding to social demands, including environmental conservation.

Procurement Policy

Fair competition based on an open-door policy

We provide open, fair, and equal trading opportunities to any company that wishes to do business with us, regardless of nationality, company size, or past trading history with Toyota. When selecting business partners, we judge in a comprehensive manner the quality, price, lead-time for delivery, technical capabilities, details of management policies, and responses to environmental issues.

Co-existence and co-prosperity based on mutual trust

We strive to ensure co-existence and co-prosperity based on mutual trust with our business partners by promoting communication throughout our procurement activities.

Manufacturing environmentally friendly products by promoting green procurement

Toyota Industries purchase components, material, and equipment with low adverse environmental impact from business partners that maintain a high level of environmental consciousness in ensure our products are as environmentally friendly as possible.

Promoting regional businesses based on good corporate citizenship

For regional production overseas, we promote procurement from local businesses to contribute as a local corporate member of the community.

Compliance with relevant laws

Toyota Industries pays great attention to the handling of mutual confidential information as well as complying with societal norms, regulations, and the spirit of the law.

Conducting Procurement Policy Explanatory Meetings

Toyota Industries strives for communication with business partners in various forms in order to enhance mutual trust. The company holds procurement policy explanatory meetings for major business partners in order to explain annual procurement policies and to gain their understanding and cooperation with our efforts.

Furthermore, we hold individual explanatory meetings for important matters, such as our response to social responsibilities and other issues, in order to share information about our respective needs and reinforce our relationships with our business partners.

In March 2005, we held an Environmental Response Explanatory Meeting with almost all of our business partners. We explained our ideas and the importance of corporate social responsibility, and our requirements for their cooperation regarding the use of substances of concern, and other matters.

Offering Marketing Opportunities through Open Procurement

Toyota Industries continuously offers open procurement opportunities on our website to achieve broad and open procurement. Together with offering a marketing opportunity for suppliers all over the world, we facilitate fairness and equity by ensuring that suppliers understand this process through public notification of our standard procurement procedures, from marketing to the conclusion of contracts. To apply, potential business partners must register the status of their environmental certifications, such as ISO 14001, as well as some basic items such as their business scale and results.

Establishing a Consultation Center for Business Partners

Toyota Industries has established a consultation center to enhance communication with its business partners. We mainly handle complaints and consultations from business partners regarding subcontracting laws, and make use of this information to maintain mutual trust and improve our procurement activities.

Personnel in a neutral position who are not responsible for the business transaction manage the consultation center within the Purchasing Department. In this way, we can respond to our business partners in a fair, non-discriminatory manner.

Conducting Entirely Fair Trade

Of our approximately 1,500 business partners in Japan and overseas, about 800 companies are subject to laws concerning subcontracting, which account for more than half the total number. Our focus is, therefore, on compliance with the Japanese law (the Act Against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors), while working to ensure trade is conducted on an entirely fair basis.

We determine the department responsible for ensuring that Toyota Industries complies with relevant laws and regulations. The Purchasing Department, which is the department responsible for subcontracting laws, implements audits of each department as well as company wide education programs divided by classification and education of personnel responsible for procurement. It also publishes a newsletter entitled, "News Concerning Subcontracting Law" to provide complete notifications of the letter and the spirit behind subcontracting laws. All employees were immediately informed of

the details regarding the revisions to Japan's Subcontracting Act in April 2004.

Supporting Business Partner Reforms

Toyota Industries supports business partners' efforts to improve their financial standing in order to consistently procure better products. For Hoeikai, which is comprised of 68 cooperative companies working with Toyota Industries, we proactively support quality and cost improvements, safety and health management, and environmental conservation.

In a concrete manner, we implement quality training, provide instruction, cooperate in improvements of processing techniques at production sites, and by conducting a Safety and Health Environment Convention.

Promoting Environmentally Friendly Procurement

In order to manufacture environmentally friendly products, we need to implement cooperative initiatives with our business partners.

We require our business partners to establish an environmental management system and to work on reducing the use of substances of concern based on our green procurement guidelines. In addition, we have the same requirements for our affiliates in Japan and overseas.

Establishing an Environmental Management System

Toyota Industries recognizes that it is essential to acquire an environmental management system certified by external authorities, such as ISO 14001.

We require business partners who are having difficulties in acquiring certification from external authorities in the interim to implement the Toyota Industries Environmental Management System, which is regulated by Toyota Industries. We fully support our business partners in their efforts to implement this system.

Case Study Two Business Partners Acquired Toyota Industries Environmental Management System Certification

In June 2005, two of our business partners acquired Toyota Industries Environmental Management System certification. They also positively evaluated some incidental effects, as described by the following comments:

"We reduced energy consumption by 10% and hence reduced costs".

"We assigned these tasks to new employees. They worked diligently on them and it became an opportunity to raise awareness among all our employees".

"The inside of the plant became much cleaner and contributed to the improvement in the quality of our products".



Toyota Industries' Environmental Management System, certification ceremony

Initiatives for Substances of Concern ▶Chart 1

In order to meet regulations regarding the use of substances of concern, such as EU-ELV (the European Union's end-of-life vehicles directive), we require the suspension or reduction of use, and the management of usage of these substances that are included in products or in manufacturing processes.

Our procurement system requires our business partners to submit a banned substances declaration and environmental data including a report of substances contained in components and other facts. We procure items upon confirmation by our Quality Guarantee Department for products, and after confirmation by the Safety, Health and Environment Department of Toyota Industries for production. We also implement inspections of the processes employed by business partners, as necessary.

We have been utilizing analysis equipment that measures substances of concern since FY 2004 to reinforce our management of these substances. We also implement random inspections of supplied products. We will work on increasing the use of analysis equipment in the future.

Chart 1 Toyota Industries' Substances of Concern Management System

