



# Toward Co-Existence and Co-Prosperity with Business Partners

## 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 purchases 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 for most of our business partners, seeking their cooperation in the reduction of substances of concern. In fiscal year 2007, we are working on the training and strengthening of personnel with TPS skills by encouraging our key business partners to take part in the TPS *Dojo*\*.

\* TPS (Toyota Production System) *Dojo*: A training program established in January 2000 for workers to experience for themselves a basic education in the Toyota Production System, to develop "thoughts and actions" and acquire *kaizen* (continuous improvement) skills. From 2000 to 2005, 88 people had completed the program, with a further 21 of our employees currently in training in 2006.

### 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 business partners all over the world, we facilitate fairness and equity by ensuring that business partners 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 established a consultation center for its business partners in fiscal year 2006. 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.

In fiscal year 2006, the Consultation Center received several requests from Toyota Industries affiliates for consultation about interpretation of subcontracting laws, but there were no consultations regarding problems in transactions with Toyota Industries.

### Thorough Checking for Uninspected Items to Prevent Payment Delays

Of our approximately 1,500 business partners in Japan and overseas, about 850 companies (as of the end of march, 2006) 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.

Whenever an item is delivered by a supplier, it must undergo an acceptance inspection to check whether or not it satisfies the required specifications. If the item passes this inspection it is then accepted, and it

is only after this process has been completed that payment can be made. Consequently, if we are to prevent delays in payment, it is vital that we make sure that no items slip through the cracks and miss out on acceptance inspections, so the departments responsible undertake thorough checks for uninspected items at the end of each month. If an uninspected item is discovered the following month, not only must payment be made by the correct date, but the department responsible is instructed to submit a countermeasures report to prevent it happening again. Further checks for uninspected items are also conducted during the six-monthly stock-takes.

The Purchasing Department, which is the department responsible for ensuring compliance with subcontracting laws, held in-house training seminars on these laws on eight occasions in fiscal year 2006, training a total of 100 employees involved in procurement in their respective divisions. This Department also publishes a monthly newsletter entitled “News Concerning Subcontracting Law” on our Intranet and keeps employees up-to-date as to legislative amendments and important notices.

### 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.

We held quality training programs for our business partners on 47 occasions in fiscal year 2006, reaching 350 people. We also provided guidance and cooperation for the improvement of manufacturing processes at production sites on 46 occasions and held a Safety and Health Environment Convention (See column at right). We plan to continue these programs, providing an annual schedule.

### Promoting Environmentally Friendly Procurement

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 based on our green procurement guidelines.

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. Before purchasing products that will become part of Toyota Industries’ products, the information in these reports is confirmed by our various Quality Assurance Departments. For products that will be used in our production processes, confirmation is carried out by the Safety, Health and Environment Department of Toyota Industries before purchasing.

In addition, we visit our business partners’ production plants as necessary in order to carry out process inspections. Furthermore, analysis equipment was introduced in fiscal year 2005 in an effort to strengthen management of substances of concern. Random inspections of supplied products are also carried out.

### 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.

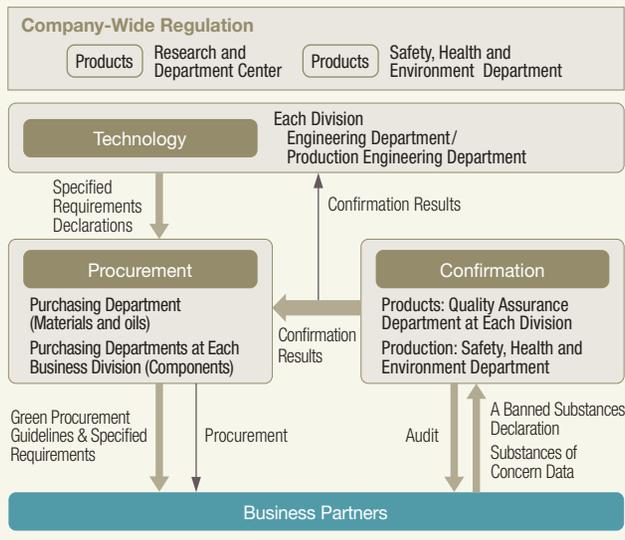
#### Case Study

### 22<sup>nd</sup> Hoeikai Safety and Environment Convention Held, with a Common Vow to Achieve Zero Accidents

The Hoeikai, an association of 68 cooperating companies related to Toyota Industries’ production operations, holds a Safety and Environment Convention every year. The 22<sup>nd</sup> Hoeikai Safety and Environment Convention was held in Kariya City, Aichi Prefecture, Japan, on June 10, 2005, and was attended by Toyota Industries’ Managing Director and managers from the relevant departments. In the first session, the Chairman’s welcome address was followed by explanations of the fiscal year 2006 program of activities by the committee chairs, and the best performing companies for fiscal year 2005 were introduced and presented with awards. In the second session, Masahiro Nakamura, Head of the Accident Prevention Institute, delivered the keynote address on “Safety Management Riddled with Errors”, which is also the title of his book. Throughout the convention, all participants recognised that “responding to quality, safety and social demands lies at the very heart of corporate foundations and there can be no complacency in work health and safety and environmental issues, not even for an instant”, and reaffirmed their vow to achieve zero industrial accidents.



### Toyota Industries’ Substances of Concern Management System



Responsibility to Our Customers



Responsibility to Our Shareholders



Responsibility to Our Business Partners



Responsibility to Our Local Communities



Responsibility to Our Employees



Responsibility to the Environment