

Toward Co-Existence and Co-Prosperity with Our 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, materials, 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 our 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 have an open and fair entry process that allows all potential suppliers, regardless of nationality, size, and experience, the same chance to offer us their products or services. We select our business partners based on economic reasons such as the quality, price, and volume of their products, as well as on their adherence to delivery times. In addition, we also consider comprehensively things like environmental awareness, company stability, and technological development ability.

Amicable Relationship of Mutual Benefit Based on Mutual Trust

At Toyota Industries Corporation we work hard to realize an amicable relation of mutual benefit with our suppliers based on mutual trust.

We also believe that it is important to promote friendly communication with our suppliers by means of our procurement activities.

Environmentally-Friendly Products Based on "Green Procurement"

In order to create environmentally-friendly products we aim to procure parts, materials, and equipment that have low environmental impact from suppliers that always give sufficient consideration to the environment.

Localization of Business Based on Good Corporate Citizenship

As a company that undertakes local production overseas, we promote procurement from local suppliers in order to contribute to the local community.

Compliance with the Law

It is Toyota Industries' policy to strictly abide by both the letter and spirit of laws and regulations and to also carefully handle and protect our partner's secret corporate information.

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 worked on the training and strengthening of personnel with TPS skills by encouraging our key business partners to take part in the TPS (Toyota Production System) *Dojo* and received 9 personnel from 8 suppliers.

*TPS *Dojo*: A training program established in January 2000 for workers to experience for themselves a basic education in the Toyota Production System, in order to develop "thoughts and actions" and acquire *kaizen* (continuous improvement) skills.

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 other basic items such as the scale of their business and financial results.

Establishing a Consultation Center for Business Partners

Toyota Industries has established a consultation center to enhance communication with its business partners in fiscal year 2006. 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 transactions manage the consultation center within the Purchasing Department.

In fiscal year 2007, 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 800 companies (as of the end of March, 2007) 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 also working to ensure that 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 any 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 from happening again. The Purchasing Department, which is the department responsible for ensuring compliance with subcontracting laws, held in-house training seminars on these laws on 22 occasions in fiscal year 2007, training a total of 700 employees involved in procurement in their respective divisions. This Department also publishes a monthly newsletter entitled "News Concerning Subcontracting Laws" 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 67 business partners 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 34 occasions in fiscal year 2007, reaching 466 people. We also provided guidance and cooperation with the improvement of manufacturing processes at production sites on 38 occasions and held a Safety, Health and Environment Convention. We plan to continue these programs, and will provide an annual schedule.

Promoting Environmentally Friendly Procurement

In order to meet the regulations regarding the use of substances of concern we require the suspension of use, reduction of use, and the management of usage of these substances if they are included in our products or manufacturing processes based on our Environmentally Preferable Purchasing Guidelines.

Our procurement system requires our business partners to submit a banned substances declaration and environmental data including a report on the 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 Meeting to Explain the Revised Environmentally Preferable Purchasing Guidelines

Toyota Industries held a meeting for suppliers to explain our "Environmentally Preferable Purchasing Guidelines (4th Edition)" at Nagoya City Hall on October 13, 2006. This was done in response to the rising need for greater corporate social responsibility, and the expansion in the types of businesses which need to consider this issue. We requested our suppliers to promote environmental conservation activities from the standpoint of thorough compliance with the laws, the prevention of global warming, and the management of environmental risk, etc.



Toyota Industries Substances of Concern Management System

