

Boshoku's North American Blitz

With new projects in Indiana and Michigan, Toyota subsidiary Boshoku is further escalating its North American expansion. But it's "best value," not corporate cronyism, that's fueling the company's rapidly rising fortunes, says a Boshoku consultant and former top Toyota executive.

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Auto-industry supplier **Toyota Boshoku Corp.** hardly ranks as a household corporate name. That's quickly changing, though, with Boshoku accelerating its North American growth at a blistering clip that rivals corporate parent **Toyota Motor Company** (TMC).

In a three-day span last month, for example, the company announced new facilities in both southwest [Indiana](#) and metro Detroit. That rapid-fire combo means that the Japanese manufacturer of interior systems has now initiated four separate North American expansions during 2007.

"Boshoku was reborn three years ago as a truly global interior supplier in a merger with two other second-level suppliers," Toyota Boshoku Executive Advisor [Dennis Cuneo, the former senior vice president of Toyota Motor North America](#), tells the SiteNet Dispatch.

"Until that 2004 merger [with Takanichi Co. and the automotive interiors division of Araco Corp.], Boshoku was sort of an under-the-radar supplier. Now, it's the fastest-growing parts company in the world, with sales growing last year by \$1.5 billion."

The company's 2006 sales of US\$9.5 billion marked a 19-percent yearly increase.

Shifting Suppliers in Indiana

Boshoku America's new project in the Hoosier State looks like it could well trigger another healthy spike up in sales. The company announced on Oct. 15th that it's going to build a new \$57-million, 230-employee metal stamping and assembly facility in Princeton, Ind., near Evansville. The 201,400-sq.-ft. (18,126-sq.-m.) plant will manufacture seat frames for TMC's existing 4,800-worker production facility. And that will mean making *lot* of seat frames. TMC's four-million-sq.-ft. (360,000-sq.-m.) Princeton operation produces about 300,000 Sequoias, Siennas and Tundras a year.

Ostensibly, the drivers in that project seem obvious. Toyota, after all, is Boshoku's controlling parent, owning about 47 percent of the company. Add to that Toyota's continuing supplier consolidation. The world's No. 2 automaker initiated that consolidation three years ago to cut costs and reduce uncertainties amid steadily rising supplier bankruptcies.

Boshoku's Indiana plant will definitely slash the logistics outlay for Toyota's Princeton plant – reducing the length of the seat-frame supply chain to virtually nothing. Boshoku's Hoosier State facility will sit next door to TMC's auto-manufacturing complex.

But the decision wasn't a slam dunk for either the supplier or the automaker. Corporate cronyism, Cuneo emphasizes, isn't what's fueling Boshoku's success.

"Boshoku bid on the contract for the Indiana project and won," he says. "Toyota doesn't guarantee Boshoku anything. Boshoku has to bid on every job."

"You need to understand that Toyota also buys seat supplies from [Johnson Controls](#) and [Lear](#) and other companies," Cuneo continues. "Johnson Controls, in fact, actually sources a larger percentage of Toyota seats than Boshoku does. Toyota picks its suppliers on the basis of who offers them the best value."

Correspondingly, Boshoku isn't solely focused on supplying its corporate parent, he adds.

"We also make seats for **General Motors**, including for the [Chevrolet] Heritage High Roof in Mexico," says Cuneo. "And we sell air and oil filters to almost all of the OEMs."

In Indiana, Boshoku's winning the Princeton contract means that the existing seat-frame suppliers will be replaced. But the changeover, "isn't about quality issues; it's about logistics costs," explains Cuneo, who declines to name the current suppliers. "The seat frames are very heavy." Some of the seat frames now installed at Toyota's Princeton plant, he says, are manufactured hundreds of miles away.

The timing of the supplier switch at the Princeton plant "is related to [Toyota] product, but I can't say anything about that," says Cuneo, who retired from Toyota in 2006. The automaker, he adds, is now trying to find work at other facilities for the Princeton plant's current seat-frame suppliers.

First Sign in September

Boshoku is coming to Princeton with first-hand knowledge of the area. **Total Interior Systems America** (TISA), a joint venture between Boshoku America and Lear Corporation, has a 480-worker plant near TMC that makes seats and interiors for Princeton-made Sienna minivans. Boshoku's facility will also be situated adjacent to TISA's operation.

"Toyota Boshoku America is proud to build on our presence in southern Indiana with this new plant," Chairman and CEO Kiyoshi "Nate" Furuta said at the project announcement in Princeton. "We know that southern Indiana has an experienced and dedicated work force."

Construction on the seat-frame plant will begin early next year, with production startup projected for 2010, said Furuta. The Princeton plant will be Boshoku's fourth stand-alone production operation in North America. The 19 other North American plants in which the company is involved are joint ventures.

Boshoku will be the fourth supplier to locate near Toyota's Princeton plant. The three existing supplier operations employ about 1,400 people, according to Indiana officials. The other two suppliers, **V-Tech** and **Tire and Wheel Assembly**, aren't Toyota Group subsidiaries.

Speculation has been brewing for more than a month over the identity of the Japanese firm that was going to unveil its Hoosier State growth plans. [Returning from a week-long trade mission to Japan on Sept. 14th](#), Gov. Mitch Daniels announced that one of the prospects he'd visited had agreed to expand in Indiana.

"Final agreement was reached during our recent trade mission, and Toyota Boshoku is the company," Daniels said at the Oct. 15th expansion announcement. "Toyota and its suppliers have played a significant role in our economic comeback. In the last three years, their success has resulted in more than 2,500 new Hoosier jobs."

In fact, when the Boshoku plant fully staffs up, Toyota's Indiana employment will virtually equal that of General Motors, once the state's largest employer. Boshoku's facility will bring the number of Hoosier State workers employed by Toyota and its suppliers to about 6,030.

GM, by comparison, now has about 6,100 Indiana workers, following August's \$5.6-billion sale of its 3,800-employee Allison Transmission commercial and military business in Indianapolis to **The Carlyle Group** and **Onex Corporation**. Two decades ago, GM had almost 40,000 Indiana employees.

Boshoku Growing, Too, In Michigan, Kentucky, Mississippi

The Hoosier State is only one of Boshoku's expanding theaters of North American operations.

Three days after the Indiana announcement, Boshoku celebrated the grand opening of its new 75,000-sq.-ft. (6,750-sq.-m.) R&D center in Novi, Mich. That [Michigan](#) facility opened its doors about six months after the company announced that it was going to transfer about 40 Novi-based managerial positions to Erlanger in northern [Kentucky](#), where Boshoku is establishing its first official North American headquarters.

That project, though, definitely didn't signal that Boshoku was abandoning its Detroit-metro presence. To the contrary, the company is now hiring 40 additional engineers to staff its new and larger R&D center in Novi, bringing the operation's total employment to 200.

"Toyota Technical Center is in Michigan [in Ann Arbor], and Novi gives Boshoku strong proximity to GM," Cuneo says in explaining the rationale for the expansion decision. The project continues a company tradition of rapid growth in Novi, he adds: "We had a staff of five people when we first set up the R&D center there in 2001."



Raise your hand: Boshoku will be the first supplier to move near the 2,000-worker plant that Toyota is building in Tupelo, Miss. Pictured at Toyota's Magnolia State announcement in late February are (left to right) U.S. Sen. Trent Lott; Mississippi Gov. Haley Barbour; Toyota Motor Engineering & Manufacturing North America (TEMA) President and COO Selichi Sudo; TEMA Executive Vice President Gary Convis; and TEMA Executive Vice President Ray Tanguay.

Photo: Marianne Todd, Governor's Office



Domo arigatos all around: Indiana Gov. Mitch Daniels (right foreground) bows to a Toyota Boshoku executive during the Japanese automotive supplier's announcement of its \$57-million, 230-employee plant in Princeton.



Toyota Boshoku will build its new Indiana plant next door to Toyota's existing 4,800-worker assembly plant in Princeton (pictured above).



Dennis Cuneo, Toyota Boshoku's executive advisor and the former senior vice president of Toyota Motor North America

Toyota Boshoku America: At a Glance

What It Is: An auto supplier that's a subsidiary of Toyota Motor Co. and The Toyota Group

What It Does: Manufactures automotive interior systems - including seats, door trims, carpets and straps - and makes air and oil filters and power-train systems

Who It Supplies: Toyota and General Motors are the company's largest American customers.

Where It's Headquartered: Erlanger, Ky.

What Its Portfolio Looks Like: Twenty-three North American production operations, most of them joint ventures



TOYOTA BOSHOKU



Boshoku for its North American headquarters picked the Dolwick Business Center (pictured) in the CirclePortBusiness Park in Erlanger, Ky.

Rapid growth is also part of the plan for Boshoku's Kentucky headquarters. In addition to the 40 transferred jobs, as many as 100 other new jobs are being added, the company says. Boshoku has an option to double the size of its 23,000-sq.-ft. (2,070-sq.-m.) North American headquarters.

Toyota was again a substantial factor in the company's decision to expand in northern Kentucky, Cuneo says. Toyota Motor Engineering & Manufacturing North America already has its headquarters in Erlanger.

But Boshoku's myriad joint ventures were also major location determinants, Cuneo adds. **Trim Masters Inc.**, Boshoku's joint venture with Johnson Controls, has four Kentucky plants in Bardstown, Harrodsburg, Leitchfield and Nicholasville, and Boshoku subsidiary **Toyodabo** has a plant in Lebanon.

2007 has also seen the supplier make its biggest North American move yet: In August, [Boshoku announced that it's building a 500-worker interiors plant in Itawamba County, Miss.](#)

The \$80-million facility will supply [the \\$1.3-billion Toyota plant in Tupelo that's going to build the Highlander crossover SUV](#). Boshoku is the first supplier to decide to move near Toyota's 2,000-worker plant, which was announced in late February.

And the company's growth salvo apparently isn't done. Boshoku has a number of other North American expansion irons in the fire, Cuneo says.