

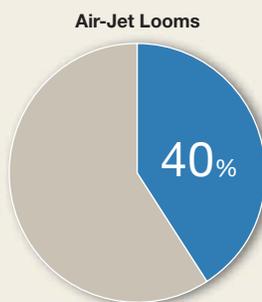
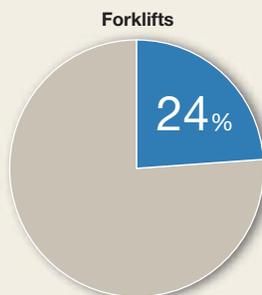
Businesses and Responsibilities of the Toyota Industries Group

Fulfilling Responsibilities with High Quality Products

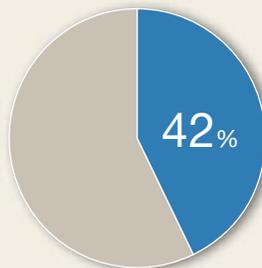
The Toyota Industries Group is characterized by the variety of business operations it carries out in diverse markets and the large number of products that hold high shares in their respective markets.

This chapter introduces the group's seven major business divisions and presents the "high quality products" that these divisions offer, as well as explaining what types of responsibilities each division is striving to fulfill.

Top-Selling Products Throughout the World (Share of Global Market)



Car Air-Conditioning Compressors



NB: Figures for forklifts and air-jet looms are for 2005 (Jan-Dec). Figure for compressors is for FY 2006 (Apr 2005 – Mar 2006). All figures are internal estimates.

Materials Handling Equipment Business

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Textile Machinery Business

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Car Air-Conditioning Compressor Business

⇒ P19



Vehicle Business

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Engine Business

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Electronics Business

[Car Electronics Business, New Electronics Business]

⇒ P22



AL Business

(Advanced Logistics Business)

⇒ P23



Toyota Industries' materials handling equipment business develops, manufactures, and sells industrial vehicles such as forklifts, tow tractors, and shovel loaders. We are also dedicated to providing customers with optimal materials handling systems for conveying, storing and sorting, using automated storage and retrieval systems and automatic guided vehicle systems. We provide a broad range of forklifts, ranging in capacity from 0.5 tons to heavy-duty models with a capacity of over 40-tons, including both internal combustion trucks (gasoline, diesel, LPG, and CNG) and electric trucks. Toyota Industries maintains a top share of the forklift market, capturing 43% of the

Japanese market and 24% of the global market (internal estimate) in 2005.

In 2000, we acquired BT Industries AB of Sweden, the world's leading supplier of warehouse trucks as a wholly-owned subsidiary.

In 2001, we took over the industrial equipment sales and marketing operations of Toyota Motor Corporation and established TOYOTA Material Handling Company, an internal company that integrates manufacturing and marketing operations. In order to maximize our group strengths, we have since established the Toyota Material Handling Group, which combines the operations of TOYOTA Material Handling Company and BT Industries.

Since the founding of the Toyota Group, the textile machinery business has been engaged in a continuous unbroken line of operations, offering spinning machinery (which spins bundles of fibers into yarn) and weaving machinery (which weaves yarns into fabric) to customers throughout the world. Textile machinery has evolved over the years to embody a wide range of highly

advanced technologies, such as control, communications and mechatronics technology.

Our mainstay air-jet loom boasts the number one share of the global market and we believe that we are held in high regard throughout the world as the leading company in the spinning machinery industry.

Toyota Industries has long offered world-leading products as a car air-conditioning compressor manufacturer. We believe that variable-displacement compressors (which automatically control cooling capabilities) and fixed-displacement compressors (which are highly reliable in harsh environments, lightweight and feature upgraded functions) are

giving us a dominant share in the global market.

Recently, Toyota Industries developed an electrically driven compressor and a two-way compressor with a built-in motor for hybrid vehicles. Toyota Industries is also currently working to develop next-generation compressors, such as a CFC-free CO₂ refrigerant compressor.

Toyota Industries' vehicle business manufactures automobiles under consignment from Toyota Motor Corporation. With built-upon and proven experience in manufacturing mainly compact and midsize automobiles, Toyota Industries' vehicle business is currently manufacturing two models: the Vitz (Yaris in Europe), which was re-launched in Japan in February 2005 after undergoing a full model change, and the RAV4 for Europe and

the United States.

Through our untiring pursuit of improvements and reforms to our production operations using the Toyota Production System (TPS), Toyota Industries' vehicle business has won high acclaim within the Toyota Group for its top-class quality and quick production launch.

Toyota Industries' engine business manufactures diesel and gasoline engines ranging in capacity from 1,500 cc to 5,200 cc. Our automobile engines are manufactured under consignment from Toyota Motor Corporation (TMC) and installed on designated Toyota vehicles. Our industrial engines are installed on Toyota Industries' own industrial equipment, such as forklifts and gas engine-driven heat pumps.

Our diesel engines in particular, which were developed in collaboration with TMC, are lightweight and offer high power in addition to lower noise and vibration. We are proactively promoting the development of technologies that will reduce the impact of our engines on the environment, such as through cleaner exhaust emissions.

Toyota Industries' electronics business produces power electronics components for automobiles, liquid crystal displays and semiconductor package substrates. For components for automobiles, we are continuing to strengthen our efforts in the development and production of electronics components and equipment used in automobiles, such as compact, highly efficient and lower cost DC-DC converters, and DC-AC inverters for use in

vehicles, thereby enabling home appliances to be used inside the vehicle.

In 1997, we established ST Liquid Crystal Display Corp. (STLDC) as a joint venture with Sony Corporation to manufacture liquid crystal display panels, while in 1998, TIBC was established as a joint venture with Ibiden Co., Ltd. to produce semiconductor package substrates.

In 2002, Toyota Industries launched its Advanced Logistics business, which develops logistics systems for our customers and provides comprehensive management and operation services for our customers' logistics centers. We are currently working on the rationalization of logistics operations for various industries by making use of the experiences that we have acquired in our development, manufacturing and sales of materials

handling equipment. As a member of the Toyota Group, we are also drawing upon *kaizen* (continuous improvement) know-how acquired from our experience at production sites.

Toyota Industries aims to reform logistics operations in Japan by proposing comprehensive solutions for planning, building and operating logistic centers, while optimizing processes throughout the entire supply chain.



Materials Handling Equipment Business

Putting the Customer First, with the Themes of "Safety", "Environment" and "Ease of Operation"



Mini-Mover
(Electric Pallet Truck)



New Geneo (1-3.5 ton Internal Combustion Engine Forklift)

Environmental Responsibilities

Forklifts

- To help curb global warming by reducing the level of energy consumed during operation
- To prevent atmospheric pollution by reducing emission of exhaust gases
- To dispose of hydraulic oils and spent batteries properly
- To develop and supply products that comply with the safety and environmental standards of each region in which our products are sold

Automated Storage and Retrieval Systems and Automatic Guided Vehicle Systems

- To help curb global warming by reducing the level of electricity consumed during operation
- To reduce noise during operation
- To dispose of hydraulic oils and spent batteries properly

Social Responsibilities

Forklifts, Automated Storage and Retrieval Systems and Automatic Guided Vehicle Systems

- To maintain and improve the reliability and durability of our products
- To prevent adverse impacts on the health of users by minimizing emissions of exhaust gases, noise and other factors
- To provide after-sales service to enable customers to continue to use our products safely and efficiently
- To enhance compliance with local social codes of conduct

Fulfilling Our Responsibility as the Global Leader in Forklifts

Toyota Industries recognizes our responsibility as a global leader in forklifts. In order to fulfill this responsibility, we continually enhance our activities in the area of research and development of new products that anticipate customer needs, and ensure the continuous improvement of quality, sales and service to achieve customer satisfaction. We expect to continue to take the initiative and contribute to society by attempting to ensure that we meet this responsibility.

In fiscal year 2006, the Toyota Material Handling Group (TMHG) began operations by combining the operations of Toyota Material Handling Company and our overseas subsidiary, BT Industries. This framework enables these two companies to increase their mutual understanding through joint development of new products and production preparation. Based on the principle of "the customer comes first", TMHG will pursue business activities that will continue to gain the confidence of our customers. (See our Special Feature on pages 6-9.)

Pursuing Customer Benefits Through Actual Observation and Analysis of Customer Operations

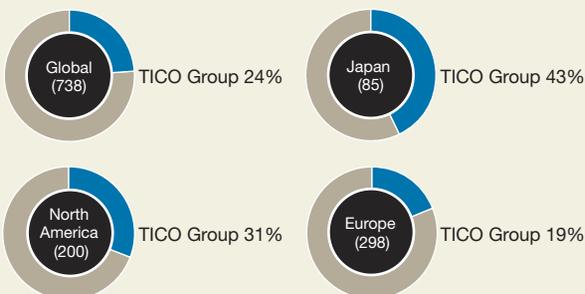
Forklifts play an important role in our customers' manufacturing and distributing processes, so our customers expect their forklifts to work continuously without breaking down. We believe that this makes reliability and durability the two key factors that our customers expect from our forklifts. We gave reliability and durability top priority in the development of the new Geneo, launched in Japan in September 2006, with an emphasis placed on safety, the environment and ease of operation. (See topics on page 17.)

We have built a global network for sales and after-sales service to better serve our customers. The forklift industry differs from the auto industry, where customers go to dealers' showrooms to choose a vehicle. Our sales staff and service mechanics actually visit our customers' factories, warehouses and other premises where our products are used to observe and analyze our customers' needs, operating conditions and environment. They then propose optimized solutions, taking into account efficiency, safety, environmental performance and other factors. Other support services that we offer our customers include regular servicing, recommendations for servicing and repairs appropriate to the operating situation, and safety training seminars.

To meet our customers' demands for improved efficiency and quality of materials handling services, we have also developed a wide range of materials handling equipment and logistics management systems, as well as proposing improvements based on the principles of the Toyota Production System (TPS). By helping our customers to ensure a safe, efficient and well-organized workplace, we hope to help them reap the benefits of using our products, such as simultaneous cost reductions and efficiency improvements, the prevention of potential

Toyota Industries' Share of Global Forklift Market

January-December 2005 (thousand units)



losses from down-time or low efficiency, not to mention a safe working environment.

Supporting Our Distributors and Dealers Worldwide

As part of our commitment to providing better sales and after-sales service based on accuracy, kindness and reliability, Toyota Industries provides comprehensive support for its distributors and dealers throughout the world. We provide materials for sales promotions and solutions proposals to help sales staff to provide even better proposals for our customers. Other ways in which we help our distributors to improve the quality of their sales and after-sales service include the introduction of a certification program to facilitate proper recognition of skills and to motivate sales staff and service mechanics, and the provision of well-organized training to upgrade their skills.

Considering the Work and Global Environments

Forklifts are closely linked to customers' costs and their working environment, highlighting the need for environmental consciousness. In internal combustion engine forklift development, we have made efforts to improve fuel efficiency, decrease the amount of toxic matter, such as NOx, found in emissions, developed DPFs (diesel particulate filters) and low-emission trucks (LPG and CNG) and reduced overall noise levels. Electric forklifts have also become quite popular, as we have achieved the same level of performance by utilizing an AC motor system that extends running time and improves energy efficiency.

As customers become more and more aware of their working environments, more electric trucks are being introduced for indoor use. Certain challenges remain in this area, however, such as initial costs and the down-time required for recharging batteries. We are also promoting the sale of low-emission trucks (LPG and CNG) and the development of environmentally conscious products. R&D activities to ensure cost reductions, better performance and shorter recharging time of electric

trucks are examples of our efforts. In fiscal year 2006, at CemAT 2005, the world's largest international logistics trade fair in Hannover, Germany, Toyota Industries exhibited the Toyota FCHV-F fuel-cell forklift (prototype). This embodiment of the technological know-how of the Toyota Group became the focus of a great deal of attention among visitors to the trade fair. (See related article on Page 11.)

Hybrid technology is another greatly anticipated technology for achieving major improvements in the fuel efficiency of internal combustion engine forklifts. Drawing on the understanding of hybrid technology and parts available within the Toyota Group, Toyota Industries has developed a highly efficient hybrid system for forklifts that is reliable, durable and inexpensive. A concept model of this hybrid forklift was revealed at Logis-Tech Tokyo 2006 in September. We believe that the hybrid forklift performs the same performance as conventional internal combustion forklifts but with major improvements in fuel efficiency, providing excellent performance in terms of both environment and economy. Technological development for the commercialisation of the hybrid forklift is continuing.

We are also promoting recycling and responsible disposal activities together with our dealers. Forklifts have a high recycling rate because they are made mainly of steel and iron. However, proper treatment by specialist companies is necessary when disposing of oil used in the hydraulic systems for loading and unloading, and the lead batteries used in electric trucks. We ensure that dealers carry out the necessary disposals properly when performing maintenance, parts replacement and trade-ins. As the number of electric forklifts in operation continues to increase, our industry must deal with the issue of proper disposal of spent batteries.



Hybrid Forklift (Concept Model)

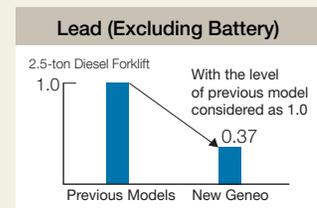
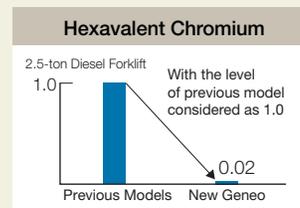
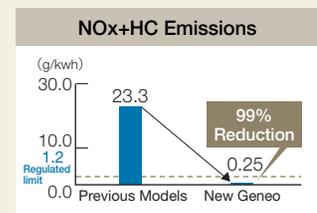
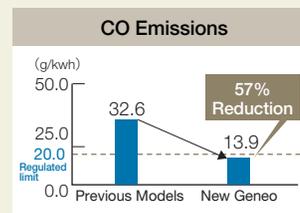
Topics

New Geneo—A Safer and More Environmentally Friendly Forklift for the Japanese Market

Internal combustion engine forklifts in the 1-ton to 3-ton class account for approximately 50% of the Japanese forklift market. The new Geneo, launched in 2006, is a forklift with a higher level of performance and functionality that was developed in response to the need for better operator safety, ease of operation and less environmental impact. A major element of the new Geneo project was the development of the speed controller function (option). An evolution of Toyota Industries' SAS (System of Active Safety), which we believe contributes to improved safety and efficiency of operation, this new function controls the speed of the forklift according to the condition of the load. We believe that the operator's forward and upward visibility has also been greatly increased in the new model.

Environmental improvements achieved with the new Geneo include the industry-first inclusion as standard of an electronically-controlled gasoline engine and a three-way catalytic muffler, thus achieving cleaner emissions and a greater level of engine output. The adoption of the electronically-controlled throttle (ECS), means that the fuel supply can be cut when the accelerator is released, resulting in a 15% improvement in fuel

efficiency over previous models. Improvements to paint and various other components were also made to achieve a significant reduction in the use of the substances of concern, hexavalent chromium and lead.





Textile Machinery Business

Thoroughly Predicting the Call of the Market and Customer Needs



Air-Jet Loom (The JAT710)



Ring Spinning Frame (The RX240)

Environmental Responsibilities

- To help curb global warming by reducing the level of energy consumed during operation
- To reduce noise and vibrations during operation

Social Responsibilities

- To maintain and improve the reliability and durability of our products
- To provide after-sales service to enable customers to continue to use our products safely and efficiently

Responding to Customer Demands— from Product Development to After-Sales Service

The major textile production countries of recent years are China, India, Pakistan and Turkey. China, in particular, is the world's largest textile producer in terms of, production volume of synthetics, cotton yarn and silk thread, and export volume of clothing materials. The Chinese government has launched a number of industry promotion policies, including increasing the percentage of shuttleless looms from 28% to 40%, and the percentage of comber yarn from 25% to 30% over five years from 2006. These steps are part of the Chinese government's bid to transform the country from one that produces a large volume of textiles, to a country that is excellent in terms of quality, and which will be held in high regard by advanced markets. China is aiming to become the top textile producing country in the world, in both name and reality.

What supports the textile industry in China is Toyota Industries' air-jet loom, which has the largest global market share. The air-jet loom inserts weft yarn by air jet, significantly improving the productivity of the weaving process compared to the time required when the weft-inserting process relied on manual labor. In addition, with air-jet looms, premium textiles such as corduroy and cloth for down blankets can be weaved. The air-jet loom, however, is machinery that is difficult to manufacture, even in China, where remarkable developments in technology have been made.

Three years after its launch in February 2003, Toyota Industries' air-jet loom, the JAT710, continues to be extremely popular in China. In addition to the inclusion of a monitoring system that makes it easy for the customer to manage manufacturing procedures, the machinery attains a high speed operation of up to 1,250 rpm. A reduction in air consumption of around 20% compared to the previous model also means significant energy savings. It has also contributed to improvements in the working environment, as vibrations have been cut by around 30% compared to the previous model.

Demands for Air-Jet Loom in the World and China



Sales Units of Air-Jet Loom (Toyota)



Topics

Local Staff Supporting Local Customers in China

The nature of textile machinery makes after-sales service an extremely important part of the business. When a customer purchases our JAT710 air-jet loom, which is the world's top seller and one of Toyota Industries' mainstay products, our service technicians visit the textile factory to assist in the machine's installation and tooling, helping the customer to make the most of the machine's performance.

Because the textile industry in China is booming, the number of air-jet looms being sold there is increasing, with Toyota Industries alone selling more than 5,000 units a year since fiscal year 2003. Training of skilled operators has been unable to keep up with this increase, placing much demand on our after-sales service

operations. In response, in addition to our existing offices in Shanghai, Wujiang, Shaoxing and Jinan, we opened a new office in Changzhou in June 2006 to provide even more meticulous after-sales service to our customers.

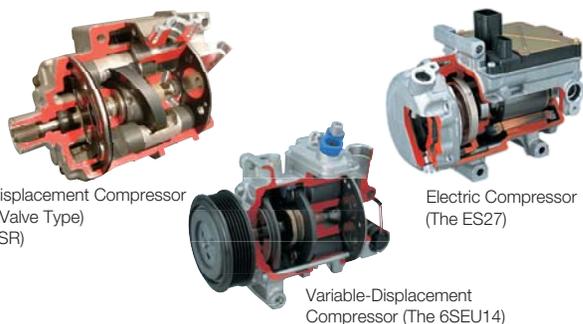
In the belief that it is more effective if local Chinese staff take care of our Chinese customers, we proactively employ, educate and train local employees to develop them as sales and service staff. As part of those efforts, we have established a training facility at our Shanghai Service Center, which is also used for customer training.

We expect to steadfastly maintain our stance of contributing to our customers' business not only through the quality of our products but also through the quality of our sales and after-sales service.



Car Air-Conditioning Compressor Business

In Pursuit of the Ultimate Lightweight Compressor—for Comfort and the Environment



Fixed-Displacement Compressor (Rotary Valve Type) (The 10SR)

Electric Compressor (The ES27)

Variable-Displacement Compressor (The 6SEU14)

Environmental Responsibilities

- To help curb global warming by reducing the level of fuel consumed during operation (low power consumption)
- To help curb global warming by preventing leaking of CFC substitutes
- To help curb global warming by conducting research into natural refrigerants that will replace CFC substitutes and by complying with refrigerant regulations in each country or region

Social Responsibilities

- To maintain and improve the reliability and durability of our products
- To improve driver comfort and fuel efficiency by making compressors more compact and lightweight and reducing noise and vibration

Innovations in Car Air-Conditioning Compressor Technology

Drivers assume that their car air-conditioning will not break down, and if the air-conditioning is not working well, it can reflect badly on the reputation of the car itself. As a specialist in compressors for car air-conditioning systems, it has been Toyota Industries' unswerving goal to ensure that its compressors continue to perform at a high level for as long as possible. Towards this end, we have pursued more power efficient, smaller and lighter compressors with reduced noise and vibration. While the compressor is an indispensable component in maintaining cabin comfort, because it uses the engine's power and is located in the front of the vehicle, the more power-efficient, compact and lightweight and the less noise and vibration it produces the better.

In terms of environmental impact, the vast majority of CO₂ emissions caused by car air-conditioning compressors over their life cycles are due to fuel consumption while the air-conditioning is operating. Compressors need, therefore, to be made more power-efficient to reduce fuel consumption.

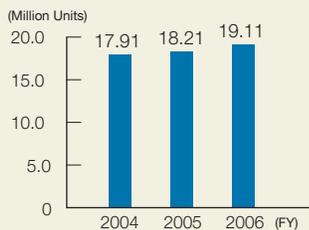
Although CO₂ emissions during the manufacture of compressors are lower than during their use, the majority of emissions that occur during the manufacture stage occur from the manufacture of materials, especially aluminium diecasts. Consequently, by making the compressors smaller and lighter, we can help to reduce CO₂ emissions from the manufacturing process. Looked at in these terms, making our products more compact and lightweight is our greatest responsibility as a compressor manufacturer both in social and environmental terms.

To achieve this, we use computer-aided engineering (CAE) to optimize basic specifications and the dimensions of each part. Specifically, we have reduced excess thickness by optimising die-cast shapes using flow analysis and shape optimization software. Other efforts to reduce the size and weight of our compressors include the development of die-casting methods to cut processing costs and increasing the number of "process-less" parts.

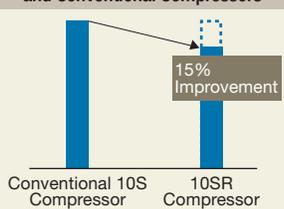
In fiscal year 2006, we developed the 10SR17 fixed-displacement swash-plate type compressor. In this model, a rotary valve is used instead of a suction valve, thus improving efficiency compared to the conventional 10S model and improving fuel efficiency by 15%.

Another important challenge is to prevent leakages of CFC substitutes (greenhouse substances), which are currently used as refrigerants. We are also pursuing a range of research and development activities, including research into natural refrigerants to replace CFC substitutes.

Sales Units of Compressors



Fuel Efficiency Comparison Between the 10SR Rotary Valve Compressor and Conventional Compressors



Topics

Compressor Plant in China Starts Production

The Chinese automobile market is expected to grow significantly in coming years, and in response to the growing demand for local procurement by automakers in China, Toyota Industries established a joint venture company, TD Automotive Compressor Kunshan, Co., Ltd, in Kunshan City, Jiangsu Province in June 2005.



In April 2006, this new company began production of variable-displacement compressors with high fuel efficiency that are supplied to Guangzhou Toyota Motor Co., Ltd for inclusion in Toyota Camry vehicles. Plans are also being made to supply the compressors to General Motors and Daimler-Chrysler.



Vehicle Business

Striving for Even Higher Standards of Production as an Automaker



Vitz (Yaris outside Japan) RS



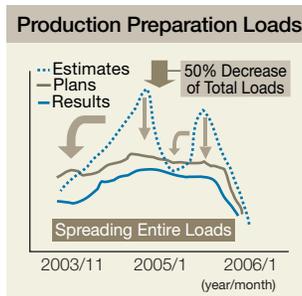
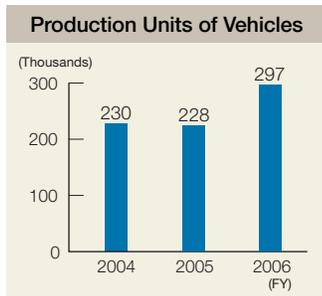
RAV4

Environmental Responsibilities

- To reduce the environmental impact of production
- To abolish the use of restricted substances

Social Responsibilities

- To ensure safety throughout the production stage and to pursue QCD (Quality, Cost and Delivery)



Working Together to Achieve Improvements and Innovation and Reach Our Goals

As an experienced manufacturer of compact and midsize vehicles on consignment from Toyota Motor Corporation, our vehicle business is responsible for realizing quality, low cost and delivery that satisfies customers. The entire division comes together to strive for improvement and innovation in unison and always strives to realize the most advanced manufacturing.

Our vehicle business has been manufacturing the popular Vitz (Yaris outside Japan) since 1999 and the RAV4 since 2001 under consignment from Toyota Motor Corporation and continuously produces them at high standards. In that time, there has not been a single case of a serious quality problem in the manufacturing process. In competition with the other automobile manufacturers of the Toyota Group throughout the world, Toyota Industries' vehicle business continues to maintain high standards in terms of quality, low-cost and delivery.

In addition, we give top priority to the safety of our employees, (including the growing number of temporary workers) during the production process and continue to pursue thorough safety management systems in the workplace.

We believe that our efficiency in carrying out production preparations that enable us to begin production in a shorter period is also highly renowned. In the full-model change of the new-model Vitz (launched in Japan in February 2005) and the new-model RAV4 (launched in Northern America in December 2005 and in Europe in January 2006), we carried out reform of production preparation processes that went beyond conventional ideas, and attained excellent results.

In the past, during the planning for operation processes and specifications of facilities, we confirmed our plans by first discussing various issues referring to drawings, and then making an actual production line. We would then begin to solve any problems that arose. In the recent model changes for the Vitz and RAV4, however, we implemented a production line simulation at the planning and conceptual stages using three-dimensional data (three dimensional images), thereby bringing specification discussions forward and increasing efficiency.

Furthermore, using virtual training and virtual manuals (moving manuals) that employ three-dimensional data, we shortened the work training period and enhanced production accuracy. In addition, through project activities that removed every conceivable barrier between departments, such as production engineering, quality assurance and manufacturing, we created a system where decisions could be made and implemented more quickly.

These improvements reduced the total production preparation load by 50% and spread that load more evenly across the entire production preparation process.

Furthermore, at the request of TMC, members of our manufacturing department participated in production preparations for the Yaris in France, utilizing their experiences in Japan. (See Topics at left.)



Topics

Participation in Production Preparations for Yaris (Japanese name: Vitz) in France

Toyota Motor Manufacturing France S.A.S. (TMMF) produces more than 180,000 vehicles annually. In late 2005, the Yaris (Japanese name: Vitz) underwent a full model change. To ensure the success of the model change, staff from Toyota Industries' Vehicle Division provided support in the production preparation process.



Staff with experience in each stage of Toyota Industries' own production preparation process, including body, painting, assembly and quality assurance, gave their French counterparts thorough instructions, with a priority on quality, and helped the French production team to become independent. In this way, our staff made a contribution to the success implementation of the model change.



Engine Business



Responding to Customer Confidence and Striving for Environmental Conservation



2KD Diesel Engine (2,5ℓ Used in the Hilux Vigo)



2AD Diesel Engine (2,2ℓ Used in the RAV4)

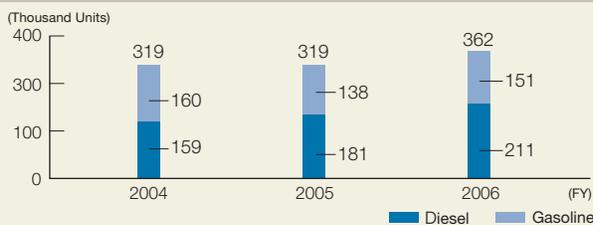
Environmental Responsibilities

- To help curb global warming by conserving energy during operation
- To comply with the environmental regulations of each country and region
- To help curb atmospheric pollution from emissions
- To comply with voluntary environmental standards and reduce the amount of waste produced by extending maintenance intervals

Social Responsibilities

- To maintain and improve the reliability and durability of our products
- To improve fuel efficiency
- To comply with regulations of each country and region

Production Units of Gasoline and Diesel Engines



Topics

Production of Diesel Engines Starts in Poland

In Europe, where highway networks are well developed and vehicles travel long distances, diesel engines are becoming increasingly popular for their high fuel efficiency and low CO₂ emissions compared to gasoline engines. The market for diesel engines in Europe is expected to continue to grow in future.

As a joint venture with Toyota Motor Corporation, Toyota Industries established Toyota Motor Industries Poland SP. z o.o (TMIP) in October 2002 as its European production base. Assembly of AD engines began in March 2005 and full-scale production (casting, machining and assembly) commenced in December of the same year.



TMIP



Cylinder Head Machining Line

Reducing the Environmental Impact of Our Diesel Engines and Improving Their Quality

Toyota Industries, in manufacturing automotive engines under consignment from Toyota Motor Corporation (TMC), bears an enormous responsibility; namely, to boost customer confidence in the superior quality of Toyota's engines.

We believe that our engine business, carries out thorough quality control, as well as using FMEA (Failure Mode and Effect Analysis) at the product and process designing stage to forecast failure mode, such as potential defects or malfunctions, and rates the level of importance according to frequency of occurrence, the degree of impact and difficulty of detection. In addition, we input data relating to past failures and problems into a database. In order to prevent defect occurrence, we undertake steady and continuous efforts when preparing new production lines, such as checking whether each item of equipment, jig and standardized worksheet perfectly incorporates countermeasures against problems that are anticipated by utilizing the information contained within the database.

While diesel engines are more fuel-efficient and discharge less CO₂ than gasoline engines, they also emit more NO_x and particulate matter. In an effort to enhance the environmental performance of diesel engine, we have implemented post-treatment measures for NO_x and particulate matter, but our biggest challenge for the engines themselves is to improve fuel efficiency and to reduce CO₂ emissions. In collaboration with TMC, Toyota Industries has realized significant reductions in environmental impact by introducing a number of new technologies that raise the fuel efficiency of diesel engines. The European emission regulations, EURO 4, which came into force throughout the EU in 2005, require new automobiles to reduce emissions of particulate matter to one tenth of that of conventional automobiles. Our AD diesel engines, which we began producing in March 2005, satisfy the requirements of EURO 4.

Bringing Our Environmentally Friendly Foundry Plants to the World

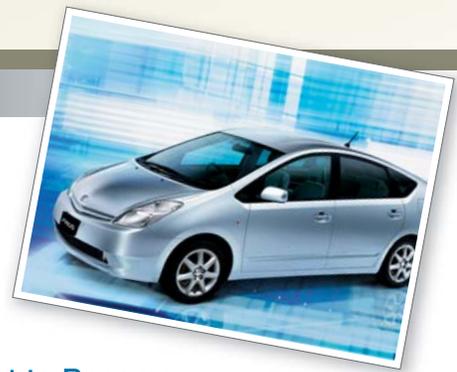
Our three plants in Japan, Hekinan, Higashichita and Kyowa, are charged with the task of adopting newly developed manufacturing technologies ahead of their overseas counterparts and perfecting them in Japanese production processes before transferring them to our overseas production bases. A good example of this is our casting technology for foundry parts that are essential to engine manufacture. The responsibility for the adoption, perfection and transfer of this technology rests with our Higashichita Plant. In 2006, this plant received a Technology Award from the Japan Foundry Engineering Society for its development of CV foundry production technology for use in cylinder blocks for high-output diesel engines.

On the environmental front, we have ensured safety by separating the work zones and equipment, and achieved zero waste and CO₂ emission reductions through the introduction of environmentally friendly and energy-saving equipment and monitoring systems. We have thus succeeded in attaining world-class energy conservation and productivity in the production of die-cast cylinder blocks for AD engines. We have transferred this spirit of environmental protection to our plants in China, Poland and other countries throughout the world.



Electronics Business

Contributing to Reduce Environmental Impact Through the Spread of Hybrid Vehicles



DC-AC Inverter



DC-DC Converter for the Toyota Prius



Low-Temperature Polysilicon TFT-LCD Panel



Package Substrate (BGA Type) for Digital Devices

Environmental Responsibilities

- To manufacture core components for environmentally friendly hybrid vehicles
- To help curb global warming through energy conservation and power efficiency during use by making our products more compact, light weight and efficient

Social Responsibilities

- To maintain and improve the reliability and safety of our products
- To make our products more compact, light weight efficient and lower in cost
- To provide a stable supply of our products
- To ensure the reliability as an emergency power source in times of natural disaster

Topics

Responding to the Demand for “High Quality” in Overseas Markets

Toyota Industries is also developing car electronics products that respond to the unique needs of overseas markets.

For example, the DC-AC Inverter fitted in the popular Toyota Tacoma in North America can be used to convert the 12V direct current of the car battery into a 115V voltage to power household appliances up to 400W. This was in response to the demands of the North American market, where consumers like to use household appliances when they are out camping. Due to the high expectations being placed on this product as an emergency power source in times of natural disaster, we must continue to maintain a high standard of quality to ensure that there are no issues that may affect its quality performance.

Our Quest to Become the Leading Supplier of Power Electronic Devices and Systems for Vehicles

Hybrid vehicles have attracted significant attention from around the world with their superior environmental friendliness. Toyota Industries' electronics business produces DC-DC converters, which are an extremely important component for hybrid vehicles. They convert the high voltage of the main battery to a lower voltage to recharge the auxiliary battery and to supply power to the lights, wipers, horns and other in-vehicle devices, as well as to operate the electric power steering. By making further improvements to make our products more compact light weight and efficient, with higher efficiency and lower costs, and attaining higher fuel efficiency and cost reductions, we believe that we are contributing to the performance and popularization of hybrid vehicles, and hence contributing to a reduction of environmental impact. Given the direct effect of the performance and function of our products on a vehicle's fuel consumption, costs and safety, the production of defective components is unacceptable. Toyota Industries has, therefore, been working on activities to improve market quality since 2004. In 2005, we started production of converters for the power steering used on Lexus (hybrid vehicle models), the top-of-the-line luxury Toyota vehicle.

The electronics business also manufactures DC-AC inverters fitted to vehicles that convert direct current to alternating current. We aim to become the top supplier of power electronics devices, such as converters and inverters, and electric power systems for motor vehicles. We will continue to work on enhancing design, production preparation and initial management, to ensure a stable supply of high quality products and to improve production efficiency in order to meet anticipated increases in demand.

New Electronics for the Telecommunications Industry

We have also engaged in a new electronics business, not only for automobile manufacturers but also for manufacturers of computers and mobile devices. ST Liquid Crystal Display Corp (STLCD), a joint venture with Sony Corporation, manufactures low-temperature polysilicon TFT-LCD panels, a cutting-edge liquid crystal display, for use in digital still cameras, video cameras, PDAs and mobile phones used across the globe. TIBC Corporation, a joint venture with Ibiden Co., Ltd. manufactures the latest semiconductor package substrates for use in PCs, mobile phones, IC cards, etc.

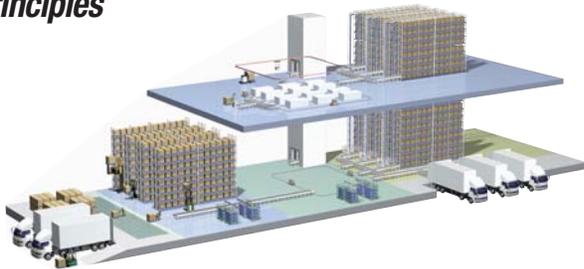
We are also conducting research and development of cutting-edge technologies such as the organic EL (electroluminescent).



AL Business



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



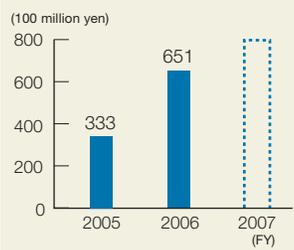
Environmental Responsibilities

- 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.