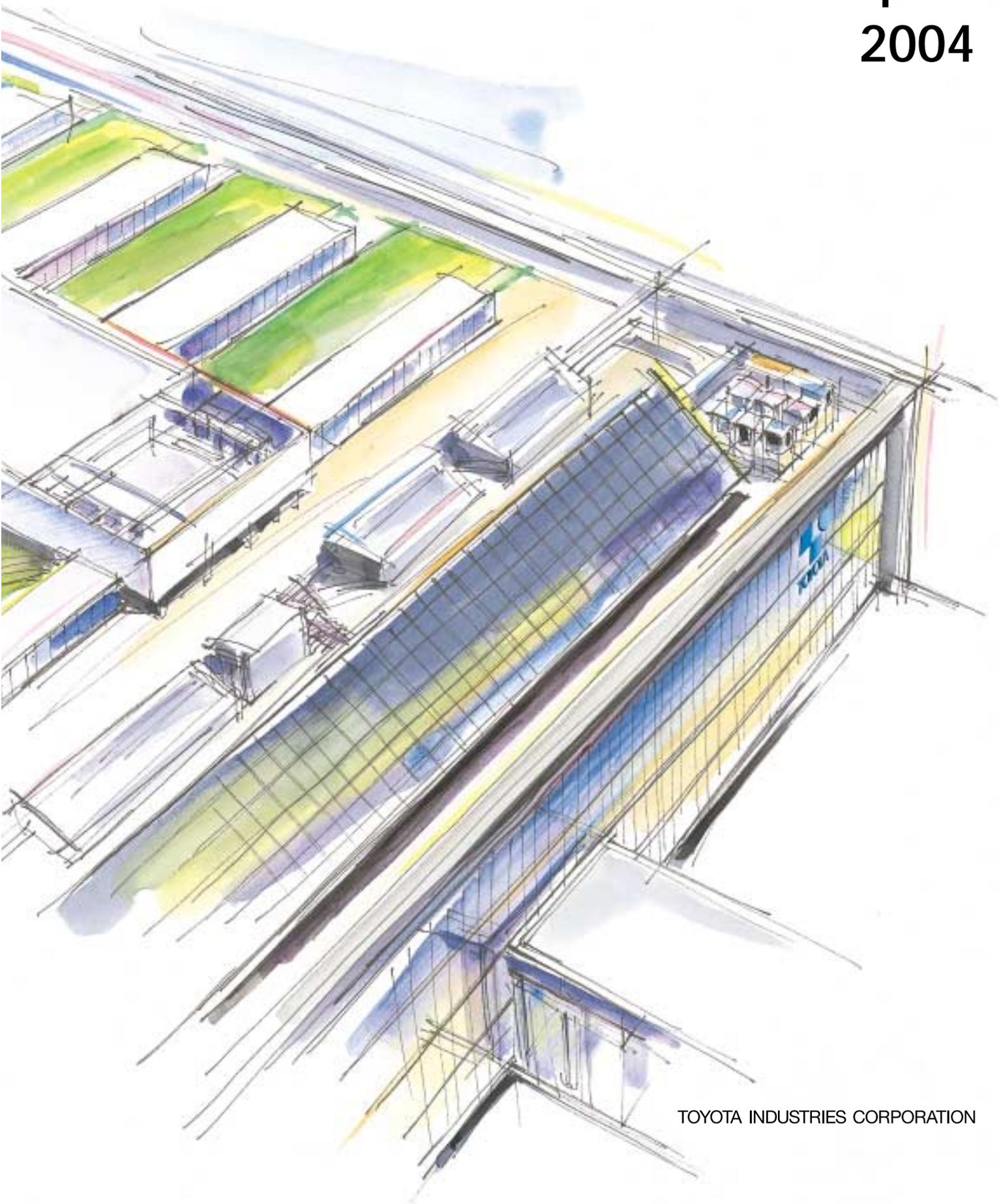


Social & Environmental Report 2004



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Independent Review Report on the Social & Environmental Report 2004

The posts of directors stated in this report reflect changes as of the Board of Directors meeting held immediately following the Ordinary General Meeting of Shareholders on June 22, 2004, updating the data available on the issue date.



■ About the Cover

The cover for the Social & Environmental Report 2004 features an artistic rendering of Toyota Industries' Obu Plant, which manufactures aluminum die-cast parts for car air-conditioning compressors. The recently renovated plant has been designed with environmentally friendly features such as a solar power generation system and rooftop greening. More information about the unique details of the Obu Plant can be found inside this report (p.6-7).

Editorial Policy

The Social & Environmental Report 2004 was created with the goal of accurately conveying the full scope of Toyota Industries' social and environmental activities to a wide audience. In addition to the environmental activities covered in previous reports, the current report focuses on the company's responsibility to disclose its corporate citizenship activities. Information concerning the company's state of compliance, quality assurance efforts, and employee relations has been expanded. Every effort has been made to organize the content in a comprehensible manner and to provide readers with a better understanding of the company's overall activities looking forward to FY 2004. To ensure the utmost accuracy, this report has been audited by ChuoAoyama Sustainability Certification Co., Ltd., an external auditing organization.

Reference Guidelines

- Environmental Reporting Guidelines (FY 2003, Japan's Ministry of Environment)
- 2002 Sustainability Reporting Guidelines (Global Reporting Initiative)

Report Period

This report covers the period from April 1, 2003 to March 31, 2004. Some activities occurring in FY 2004 are also described in the report.

Report Scope

Environmental and Social Activities

The environmental and social activities covered in this report (p.2-54) are those of Toyota Industries Corporation (the parent company) alone. Certain activities of group companies are featured in "Subsidiary Spotlight" boxes.

Environmental Data

The environmental data provided in this report (p.54-56) covers Toyota Industries' independent environmental activities as well as those of its major manufacturing-related subsidiaries and affiliates (21 companies).

The Social & Environmental Report 2005 will be published in September 2005.

A Message from the President

Since its founding, Toyota Industries has engaged in businesses—starting with automatic looms and later extending to automobiles, forklift trucks and electronics—to respond to sophisticated needs in industrial machinery and the advancement of motorization in Japan and overseas, while developing an array of products, services and systems that enhance the quality of life for our customers and the public. Nevertheless, we are well aware that these business activities have also placed a burden on the global environment. Accordingly, we are acutely conscious of the importance of contributing to global environmental preservation, as we fulfill our responsibilities as a leading manufacturer.

In 2005, the next World Expo will be held in Aichi Prefecture—the location of our headquarters. Ever since the first World Expo in London in 1851, these landmark events have continually captivated people by showcasing the most advanced technologies of countries worldwide. The sense of wonder is no different now, but the technologies displayed at this exposition are those designed with genuine concern for the environment and that can help build a truly sustainable global society. With the World Expo being held right here in our own neighborhood—under the theme of “Nature’s Wisdom”—we feel more keenly than ever the magnitude of our responsibility to society.

To fulfill this social responsibility and increase our contribution to the global community, I have long emphasized the need for the entire Toyota Industries Group to make unceasing efforts to ensure quality, which is fundamental to manufacturing and represents the lifeblood of the Company. However, quality means more than just providing defect-free, high-performance products. Sakichi Toyoda, the founder of Toyota Industries, expressed his goal for the Company in these words: “Supply the world’s best-quality products that are desired by customers and that can be used with a sense of reliability.” While continually taking environmental considerations into account and raising the environmental efficiency of our products, our greatest mission as a company is to ensure that this commitment by Sakichi Toyoda is passed on to successive generations.

Quality is achieved through the interaction and cooperation of people, organizations and systems. Amid society’s increased environmental awareness, the environment must also be an extremely crucial consideration in achieving quality. We believe that creating excellent quality in an ideal form requires the cooperation of humans and an appropriate system, and we are determined to make our best efforts in this area. By doing so, we seek to attain “environmental quality,” a vital component of quality, as we strive to supply the world with environment-friendly products throughout all product lifecycle phases in every area of our business.

Fiscal 2003 marked the third year of Toyota Industries’ Third Environmental Action Plan, under which the Company implemented various improvements aimed at enhancing the efficiency of its environmental management system (EMS). These included the establishment of a new environmental database, as well as a new section to strengthen the Company’s organization and systems to increase the environmental friendliness of our products. Thanks to the sustained efforts by its employees and organizations, Toyota Industries successfully reduced its emissions of CO₂, volatile organic compounds (VOCs) and other substances that place a burden on the environment, and reduced industrial waste generation at its casting plants.

All of us at Toyota Industries are fully committed to working together to achieve the targets set for 2005, the final year of our Third Environmental Action Plan, while continuing to broaden the scope of our current environmental efforts together with the entire Toyota Industries Group.

In addition to reporting on our environmental activities, this Social & Environmental Report 2004 contains information about our quality assurance systems, state of compliance and social activities, such as our contributions to the community. We have made our utmost effort to accurately convey the scope of activities conducted by Toyota Industries in as much detail and as widely as possible. However, since it is not possible to address the entire range of our activities within this report, we ask that you share your questions and opinions with us. This, in turn, will enable the entire Toyota Industries Group to continue to disclose a broad range of information to the satisfaction of a wider audience.

July 2004

Tadashi Ishikawa

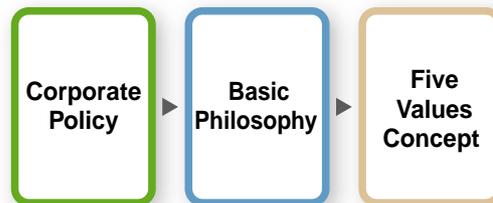
Tadashi Ishikawa
President
Chairman, Environmental Committee
Toyota Industries Corporation



Corporate Philosophy and Corporate Profile

Corporate Philosophy

The Toyota Industries Group seeks to contribute to the advancement of the global economy and the creation of an enriched society through its products and services. The company has adopted its founding precepts as its corporate policy, and has adopted a corporate philosophy as the fundamental policy guiding the management of the Toyota Industries Group.



Corporate Policy | An All-Pervasive Founding Spirit

Toyota Industries pledges to adopt the Toyoda Precepts, which captures some of the thoughts of its founder, Sakichi Toyoda, as its corporate policy. This founding spirit shall serve as the basis for the corporate philosophy of Toyota Industries.

The Toyoda Precepts

1. Be contributive to the development and welfare of the country by working together, regardless of position, in faithfully fulfilling your duties.
2. Be ahead of the times through endless creativity, inquisitiveness and pursuit of improvement.
3. Be practical and avoid frivolity.
4. Be kind and generous; strive to create a warm, homelike atmosphere.
5. Be reverent, and show gratitude for things great and small in thought and deed.

In these general rules, Sakichi Toyoda sought to clarify the fundamental business principles of his company for each of its employees. The Toyoda Precepts were first introduced on October 30, 1935, the fifth anniversary of Sakichi Toyoda's death.

Basic Philosophy | Management Philosophy of Toyota Industries

Respect for the Law

Toyota Industries is determined to comply with the letter and spirit of the law, in Japan and overseas, and to be fair and transparent in all its dealings.

Respect for Others

Toyota Industries is respectful of the people, culture, and traditions of each region and country in which it operates. It also works to promote economic growth and prosperity in those countries.

Respect for the Natural Environment

Toyota Industries believes that economic growth and conservation of the natural environment are compatible. It strives to offer products and services that are clean, safe, and of high quality.

Respect for Customers

Toyota Industries conducts intensive product research and forward-looking development activities to create new value for its customers.

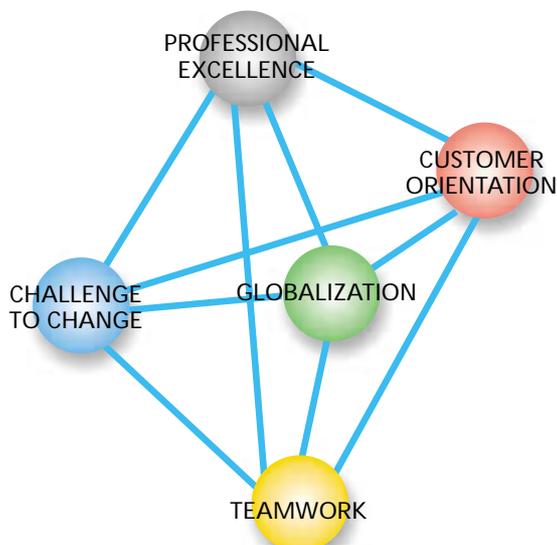
Respect for Employees

Toyota Industries nurtures the inventiveness and other abilities of its employees. It seeks to create a climate of cooperation, so that both employees and the Company can realize their full potential.

Five Values Concept | Values and Actions Held in Esteem by Each Employee

The Five Values concept encapsulates the basis for all corporate activities. All employees of Toyota Industries shall consider how they should act and how they might change their ways to benefit the company. Through broad discussions, employees shall spread these same values with the aim of furthering the growth of the company.

-  **Global Perspective**
Learning from the best in the world, we aim to become the best in the world.
-  **Customer First**
We forge partnerships with our customers and strive to exceed their expectations.
-  **Welcoming New Challenges**
Unbound by convention, we embrace the challenge of creation.
-  **Encouraging Professional Excellence**
We develop our strengths, and think and act responsibly.
-  **Encouraging Effective Teamwork**
We recognize the human worth of each individual and collaborate to achieve goals.

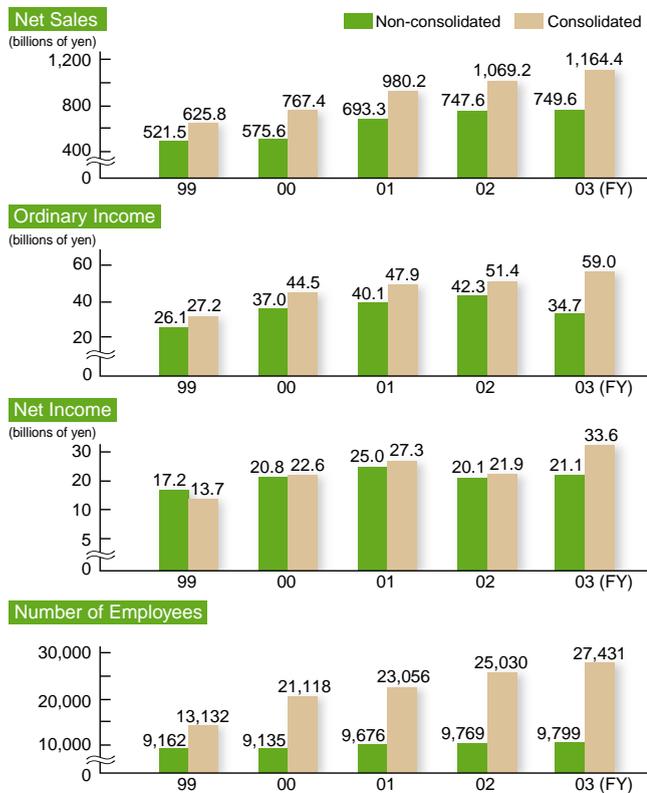


Corporate Profile

| | |
|-------------------------|---|
| Name | Toyota Industries Corporation |
| Date of Establishment | November 18, 1926 |
| Capital | ¥80.5 billion (as of March 31, 2004) |
| Number of Employees* | 27,431 (as of March 31, 2004) |
| Stock Exchange Listings | First sections of the Tokyo, Osaka, and Nagoya |
| Principal Businesses | Textile machinery, car air-conditioning compressors, materials handling equipment, vehicles, engines, and electronics |

*On a consolidated basis

Consolidated Net Sales, Ordinary Income, Net Income, and Number of Employees



Production Facilities

Kariya Plant

**Textile Machinery Division
Compressor Division**
Address: 2-1, Toyoda-cho, Kariya, Aichi
Main products: Textile machinery, car air-conditioning compressors
Employees: 1,715

Obu Plant

Compressor Division
Address: 1-1, Ebata-cho, Obu, Aichi
Main products: Parts for car air-conditioning compressors
Employees: 432

Higashiura Plant

Compressor Division
Address: 1-1, Shimomeotosaka, Ogawa, Higashiura-cho, Chita-gun, Aichi
Main products: Parts for car air-conditioning compressors
Employees: 87

Takahama Plant

TOYOTA Material Handling Company
Address: 2-1-1, Toyoda-cho, Takahama, Aichi
Main products: Forklift trucks, materials handling systems
Employees: 1,455

Kyowa Plant

**Corporate Technical Center
Machinery & Tools Sub-Division
Mechatronics Systems Department**
Address: 8, Chaya, Kyowa-cho, Obu, Aichi
Main products: Electronic equipment, manufacturing equipment, press dies
Employees: 924

Nagakusa Plant

Vehicle Division
Address: 9-2, Yamaguchi, Nagakusa-cho, Obu, Aichi
Main products: Automobiles
Employees: 2,105

Hekinan Plant

Engine Division
Address: 3, Hama-cho, Hekinan, Aichi
Main products: Engines (for use in automobiles and material handling equipment)
Employees: 1,418

Higashichita Plant

Engine Division
Address: 4-15, Nittou-cho, Handa, Aichi
Main products: Foundry parts
Employees: 370

Corporate History

- 1926 • Toyoda Automatic Loom Works, Ltd. (now Toyota Industries Corporation), established to manufacture automatic looms invented by Sakichi Toyoda
- 1944 • Obu Plant begins operations
- 1953 • Kyowa Plant begins operations
- 1967 • Nagakusa Plant begins operations
- 1970 • Takahama Plant begins operations
- 1982 • Hekinan Plant begins operations
- 1988 • Toyota Industrial Equipment Mfg., Inc. (TIEM), established in Indiana, U.S., as a joint venture with Toyota Motor Corporation
- 1989 • Michigan Automotive Compressor, Inc. (MACI), established in Michigan, U.S., as a joint venture with Nippondenso Co., Ltd. (now Denso Corporation)
- 1994 • Toyota Industry (Kunshan) Co., Ltd. (TIK), established in Jiangsu, China, as a joint venture with Toyota Tsusho Corporation and Lioho Machine Works, Ltd.
- 1995 • Toyota Industrial Equipment, S.A. (TIESA), established in France as a joint venture with Manitou B.F. and Toyota Motor Corporation
- Kirloskar Toyoda Textile Machinery Ltd. (KTTM), established in India as a joint venture with the Kirloskar Group
- 1997 • ST Liquid Crystal Display Corp. (ST-LCD) established as a joint venture with Sony Corporation
- 1998 • TD Deutsche Klimakompressor GmbH (TDDK) established in Germany as a joint venture with DENSO Corporation
- TIBC Corporation established as a joint venture with Ibiden Co., Ltd.
- 2000 • Company acquires BT Industries AB of Sweden, a world-leading manufacturer of warehouse trucks used in the production process
- 2001 • Company takes over the Industrial Equipment Sales Division of Toyota Motor Corporation, establishing TOYOTA Material Handling Company as an in-house company
- Name changed to Toyota Industries Corporation
- Higashichita Plant begins operations
- 2002 • Company reorganizes headquarters into Corporate Center and Business Support Center (CO/BS)
- Higashiura Plant begins operations
- Toyota Motor Industries Poland Sp.zo.o (TMIP) established as a joint venture with Toyota Motor Corporation
- 2003 • Company acquires Aichi Corporation, a manufacturer of special-purpose vehicles

Corporate Governance

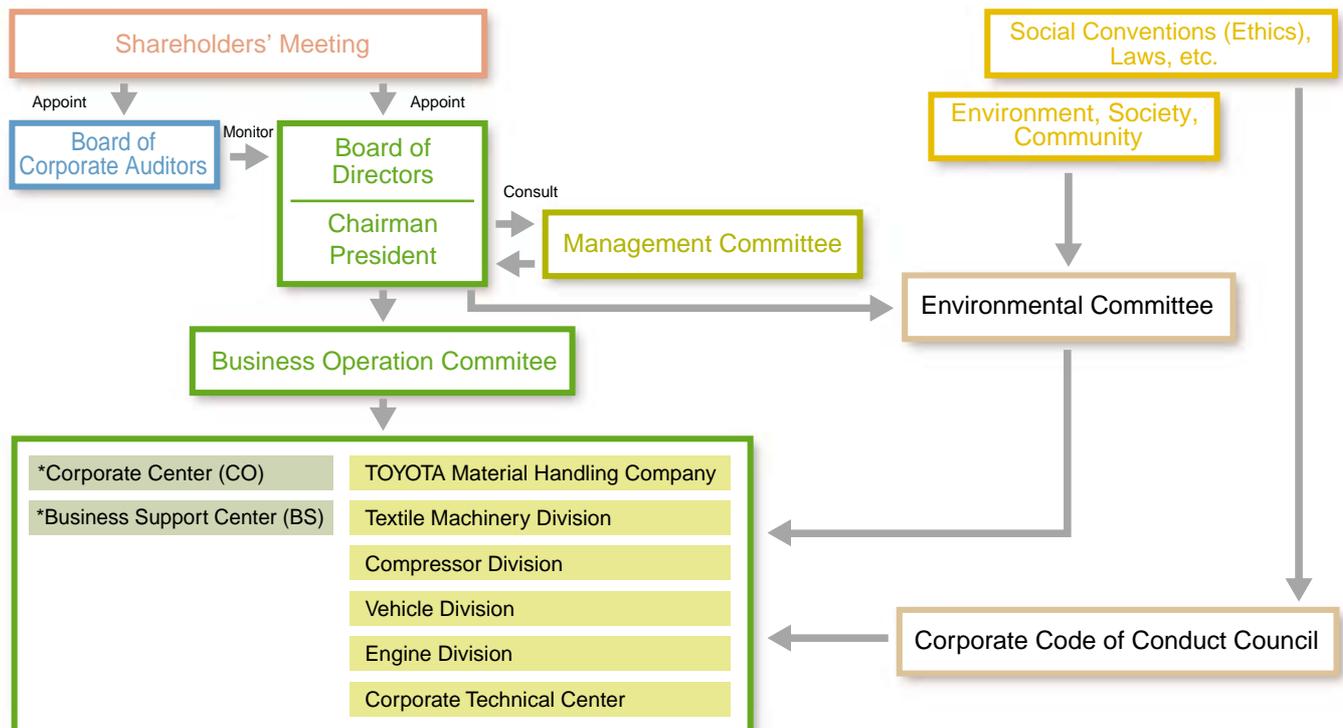
Building an organizational framework and management system that is responsive to changes in the management environment

Toyota Industries has placed a strong emphasis on the need to build and maintain an organizational framework with the quickness and flexibility to respond to changes in the management environment, together with a fair management system that emphasizes its shareholders. Aiming to fulfill its social responsibilities, these efforts are consistent with the goals of achieving transparent and efficient management, while maintaining the healthy financial state of the company and effectively implementing corporate governance.

Description of Corporate Governance Activities

| Board of Directors and Management Organization | Improved Auditing System | Corporate Code of Conduct Council |
|--|--|--|
| <p>The board of directors meets every month to decide on major issues and monitor the company's ongoing performance. Toyota Industries is implementing various measures in an effort to ensure a timely and efficient business management system, while establishing and operating an internal system for control. These measures include setting up a Management Committee to advise the president, and efforts to broaden the process used in determining the company's management strategy. Toyota Industries also established a Business Operation Committee in order to remain up-to-date on the performance of its various businesses.</p> | <p>At the company's annual shareholders' meeting held in June 2003, a resolution was passed to add one additional outside auditor for a total of five corporate auditors. Toyota Industries has also enhanced its auditing capabilities by creating an Audit Department.</p> | <p>The Corporate Code of Conduct Council was established in 1991 in order to oversee and monitor the state of employee and workplace compliance with the corporate code throughout the company. The council is comprised of a chairman, and other high-ranking directors. It is responsible for preventing ethical and legal transgressions within the company and deliberating new issues faced by the company.</p> |

Framework for Corporate Governance



*In January 2002, the headquarters of Toyota Industries was reorganized into a CO/BS to realize a division according to function and role.

Compliance

Aiming for individual employee compliance to reaffirm the ethics of the corporation

Toyota Industries has adopted a basic philosophy to encourage regulatory compliance by each employee of the corporation. In order to monitor the state of compliance, the company has established a Corporate Code of Conduct Committee that is responsible for various efforts, including the creation of a handbook for conduct by the company and its employees.

Corporate Approach

At Toyota Industries, emphasis is placed on ensuring that appropriate value judgments are made and actions taken with respect to its business activities and the conduct of its employees. Factors that must be taken into account include the need for regulatory compliance and consideration for the philosophy and background behind regulatory controls, as well as other factors such as ethical standards.

In order to improve product quality, each individual employee must strive to create a superior manufacturing line and workplace. Toyota Industries is applying this concept of full compliance by improving communication and raising awareness within each workplace.

Handbook for Corporate and Employee Conduct

Toyota Industries introduced its handbook for corporate and employee conduct in March 1998. The handbook plays a role in guiding all of the company's compliance efforts and covers issues that directly relate to the company's products and business activities, including its sales activities and procurement activities. The handbook also details the company's social responsibilities, such as the need for environmental conservation and contributions to the community, as well as the need to promote traffic safety, as an automotive-related manufacturer. Employees can easily access the handbook using the corporate intranet.

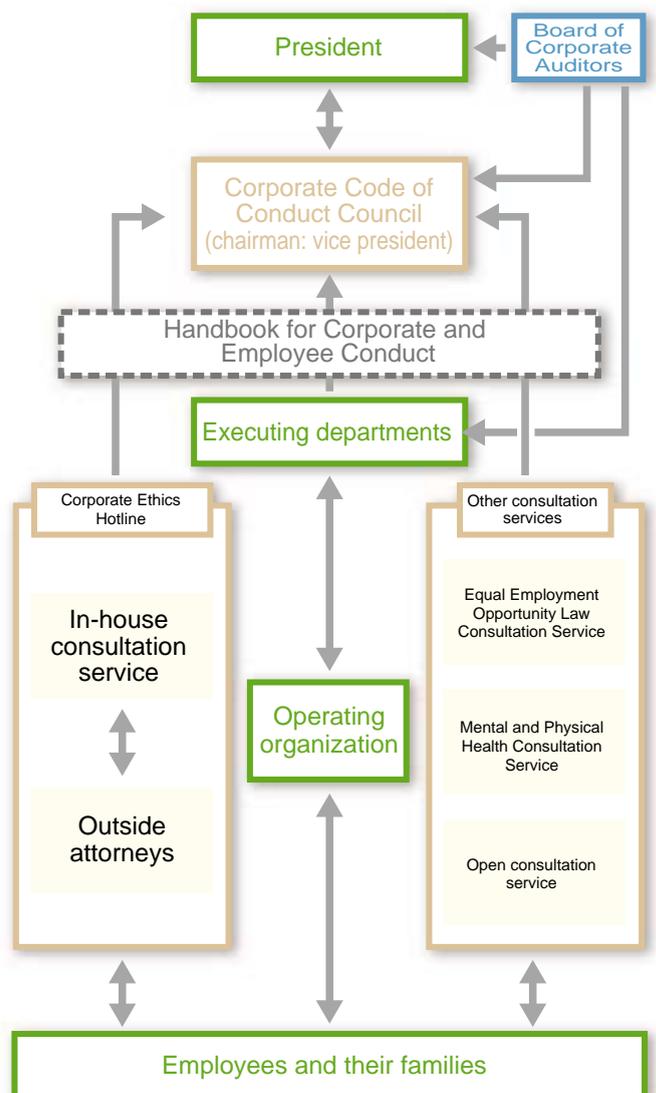


Corporate Ethics Hotline

In an effort to respond more rapidly to ethical issues within the company, Toyota Industries has established a consultation service to be applied to individual issues concerning compliance. In September 2003, the company created the Corporate Ethics Hotline in order to strengthen its efforts in this area and to rapidly identify critical ethical issues within the company. The new service is staffed by attorneys from outside the company, as a means of protecting the privacy of individuals and providing the best advice for its employees. Critical ethical issues are immediately relayed to the chairperson of the Corporate Code of Conduct Council and to the company president and other upper management positions.



Organizational Framework for Compliance



Employing extensive environmental measures tailored to a plant's operations

Toyota Industries' Obu and Higashichita Plants manufacture foundry parts for car air-conditioning compressors and engines respectively. The casting processes employed by these plants involve the melting of aluminum and steel, which can consume large amounts of energy and result in significant generation of industrial waste. In response to this situation, Toyota Industries has introduced environmental measures that have significantly reduced the environmental impact of each plant.

Obu Plant

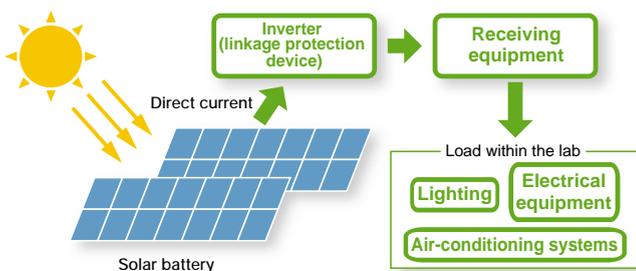
The Obu Plant was entirely reconstructed, based on the environmental design themes of energy conservation, extended life, resource conservation, nature coexistence, and continuity. The plant employs a wide range of environmental measures, including solar power generation, rooftop greening, and measures aimed at reducing industrial waste and recycling water.

■ Global Warming Measures

1 Solar Power Generation System

Solar power generation panels have been installed on the rooftops of the plant's office and security guard buildings. This system is expected to generate 76,000 kW/h per year.

□ Solar Power Generation System □



2 Rooftop Greening

Rooftop greening has been employed to reduce the heat island effect and improve the plant's insulation performance. The greening covers 4,790 m² of rooftop area.



3 Sourcing Molten Metal

By directly transporting unprocessed metal in its molten state, the plant will reduce energy otherwise consumed by melting processes. The transport of molten metal is forecasted to reduce CO₂ emissions by 5,000 tons per year. (For more information, please refer to p.28.)

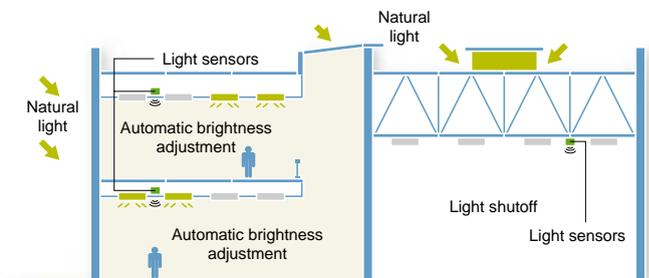


Obu Plant

4 Use of Natural Lighting

In order to reduce energy consumption from lighting, skylights have been installed to allow natural light into the plant. Sensors are used to automatically adjust the brightness of lighting equipment.

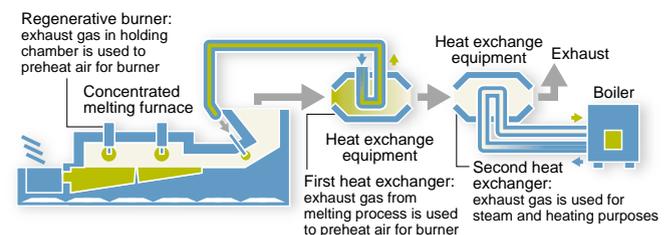
□ Skylights Provide Natural Lighting □



5 Recycling Heat Generated by Melting Processes

Heat exchange equipment will be used to recover heat generated from melting processes. The resulting energy will be used to preheat burners and to perform steam cleaning of parts. The amount of recovered energy is expected to be equivalent to 120,000 m³ (283 t-CO₂) of city gas per year.

□ Recovery of Heat Generated by Concentrated Melting Furnace □





Higashichita Plant

Higashichita Plant

The Higashichita Plant began operations in May 2001, with the stated goal of becoming the “world’s leading casting plant, friendly to the people and the earth.” The plant has implemented extensive environmental measures in order to achieve this goal.

Industrial Waste Reduction

1 Aluminum and Magnetic Separators

Aluminum separators and magnetic separators are used in the casting processes of aluminum and cast iron, in order to reduce industrial waste in the form of waste sand. By separating and recovering the sand from aluminum and iron waste, the respective materials can be recycled. This effort has significantly decreased the amount of direct landfill waste generated by the plant. (For more information on this topic, please refer to p.35.)

Energy Conservation

2 Waste Heat Recycling

Waste heat generated by cupolas—which are cast iron melting furnaces that use coke as a heat source—is reused in the blasting of casting furnaces.

3 Use of Natural Lighting

Skylights have been installed to let in natural light, so that ceiling lighting equipment can be switched off on sunny days.

Pollution Prevention

4 Desulfurization Equipment

Desulfurizers and dust collectors are used to reduce air pollutants such as sulfur oxide (SO_x) and soot.

Resource Conservation

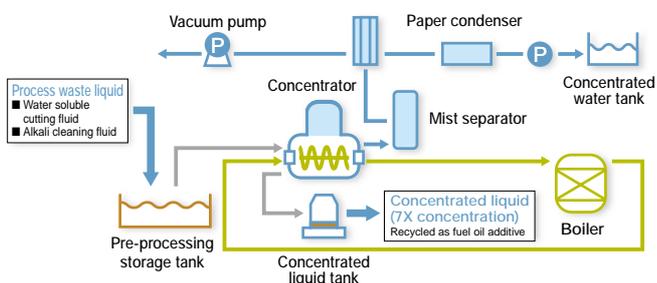
6 Waste Material Recycling

The Obu Plant successfully recycled 97% of waste materials when the former plant was scrapped. The plant was constructed with pavement blocks and ceiling materials made from crushed stone and other recycled materials.

7 Waste Liquid Concentrators

Waste liquid concentrators have been installed to condense liquids to a 7X concentration. The resulting liquid is used as a fuel oil additive.

Concentration System for Process Waste Liquid



Higashichita and Higashiura Plants Awarded for Outstanding Environmental Plant Performance

The Higashichita Plant, which manufactures piston parts for car air-conditioning compressors, was awarded the Sokeizai Industry Environmentally Friendly Factory Award by the Materials Processing Technology Center. The Higashiura Plant was awarded the IBEC Chairman’s Award for Buildings that Conserve Energy and the Environment by the Institute for Building Environment and Energy Conservation (IBEC).



Social & Environmental Report 2004 Highlights

■ Environmental Management ■

Conducted environmental workshop for personnel of overseas manufacturing-related subsidiaries (see p.19)



■ Product Technology Subcommittee ■

Established environmental data system (see p.22)



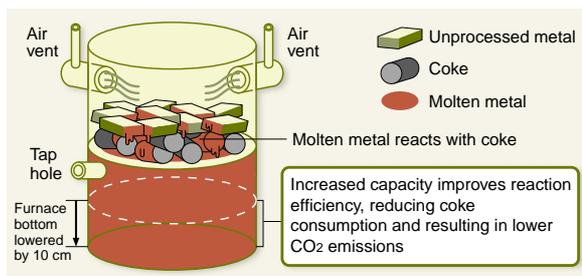
Developed ES18 compressor, world's first mass-production electric compressor (see p.24)



■ Energy Subcommittee ■

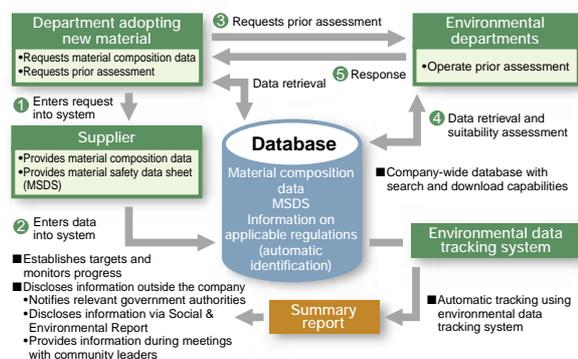
Significantly reduced CO₂ emissions by improving manufacturing equipment (see p.27)

■ Improved Cupola Mechanism



■ Pollution Prevention Subcommittee ■

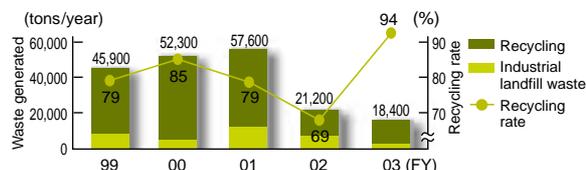
Established chemical substance management system (see p.32)



■ Resource Utilization Subcommittee ■

Made efforts toward achieving zero landfill waste* target (see p.34-35)

■ Industrial Waste Generation



■ Good Corporate Citizenship ■

Expanded coverage of Toyota Industries' socially responsible activities (see p.40-52)

| Category | Major Subjects Covered |
|----------------------------------|--|
| Quality assurance | Quality control system, complaint response, supply chain management |
| Social contributions | Traffic safety activities, employee volunteerism, community beautification efforts |
| Safety and health | Occupational safety and health management, strengthening of group-wide safety and health management |
| Employee health | Efforts to prevent lifestyle-related illness, mental health support |
| Human resources (HR) development | HR development management, training systems |
| Equal opportunity | Supporting balance between families and the workplace, employment of individuals with disabilities, working after retirement |

* Zero landfill waste: defined by Toyota Industries as a 95% or greater reduction in direct landfill waste compared with FY 1998 levels, and a 95% or greater reduction in indirect landfill waste compared to FY 1999 levels.

Caring for the Environment

In 2003 Toyota Industries issued the Toyota Industries Group Corporate Commitment to the Environment, which is based on the principles of “responsibility, enhancement, and harmony” and recognizes the overall environmental impact of the Toyota Industries Group. The commitment describes Toyota Industries’ desire to further pursue environmental activities and fulfill its corporate responsibilities.

This chapter details Toyota Industries’ independent environmental activities in relation to environmental management, product development, and the company’s manufacturing activities. Examples of activities by Toyota Industries’ subsidiaries and affiliates are also included.

Toyota Industries Group’s Corporate Commitment to the Environment

The Toyota Industries Group conducts its daily business operations to promote global economic development and a better quality of life through its products and services.

Throughout all our business activities, we always consider environmental issues in the life cycle of our products.

We will address the concept of “sustainable management” as one of our most important challenges. The entire Toyota Industries Group will strive toward the harmonious coexistence of economic development and the environmental conservation.

● Global Vision



● Corporate Commitment

1. The Toyota Industries Group will strive for further reduction of environmental impact, as well as compliance with laws and regulations.
2. The Toyota Industries Group will develop and provide products and services with top-level environmental performance.
3. The Toyota Industries Group will conduct production activities taking into account prevention of global warming, effective application of energy and resources, and reduction of substances of environmental concern.
4. The Toyota Industries Group will communicate closely with a wide range of people, including our customers and shareholders, and continually improve our system of “sustainable management.”
5. The Toyota Industries Group will actively address various environmental issues in local communities and global society as an upstanding corporate citizen.

Environmental Management

Business Activities and Environmental Impact

In order to successfully promote environmental activities, Toyota Industries must pinpoint the environmental impact of its overall business activities and initiate plans for reducing each area of environmental impact. As a manufacturer involved in a wide range of product segments, including forklifts, car air-conditioning compressors, textile machinery, and automobiles, Toyota Industries is striving to ascertain and reduce its environmental impact at each stage of the product life cycle, from parts procurement and manufacturing to product disposal.

(The following data applies to Toyota Industries and TIBC Corporation, a Toyota Industries subsidiary located on the grounds of the Kyowa Plant.)

| Category | Description | Volume |
|---------------------|------------------------------|---------------------------|
| Raw materials | Total consumption | 304,247 tons |
| | Metal | 303,116 tons |
| | Non-metal | 1,131 tons |
| Energy | Total consumption | 46.7 x 10 ⁵ GJ |
| | Electricity | 356,727 MWh |
| | City gas | 65,637 km ³ |
| | LPG | 109 tons |
| | Petroleum | 2,970 kl |
| | Coke | 8,142 tons |
| Water | — | 3,932 km ³ |
| Paper | — | 132 tons |
| Chemical substances | PRTR-designated substances*1 | 2,579 tons |
| | Toxic substances | 6,946 tons |
| Packaging materials | — | 4,398 tons |

INPUT

Development and Design

Environmental Aspects

- Use of personal computers, etc.
- Reliability assessment

Environmental Impact

- Resource depletion
- Global warming

Production

| Process | Environmental Impact | Tasks |
|---------------------|------------------------------|---|
| All processes | Global warming | Improve productivity and conserve energy |
| Casting | Waste generation | Reduce waste and promote recycling |
| | Air pollution and foul odors | Maintain and improve performance of pollutant removal devices |
| Machining, cleaning | Water pollution | Promote stricter wastewater management |
| | Waste generation | Reduce waste and promote recycling |
| Plating | Water pollution | Promote stricter wastewater management |
| Painting | Air pollution | Switch to powder coating and water-based coatings |
| | Odor emissions | Install pollutant removal devices |
| | Water pollution | Promote stricter wastewater management |

Development and Design Activities

Reuse Recycling

Disposal

Environmental Aspects

- Separation of recyclable waste
- Waste treatment and disposal

Environmental Impact

- Depletion of resources
- Water pollution
- Foul odors
- Global warming
- Noise and vibration
- Air pollution
- Hazardous chemical pollution

Development and Design Activities

- Improve recyclability
- Reduce use of substances of concern

Use

Environmental Aspects

- Use of products

Environmental Impact

- Resource depletion
- Global warming
- Air pollution
- Noise and vibration

Development and Design Activities

- Improve fuel efficiency
- Exhaust gas reduction
- Reduce noise and vibration pollution

*1 PRTR: Pollutant Release and Transfer Register.

*2 Clean-energy vehicles: electric forklift trucks and compressed natural gas (CNG)-powered forklift trucks.

*3 VOC: a chemical substance found in paints and solvents. (VOC emissions were only tracked for painting lines through FY 2003. Starting from FY 2003, VOC emissions are now tracked for all processes.)

Input Definitions

| | |
|---------------------|--|
| Raw materials | Volume of raw materials purchased for manufacturing of products |
| Electricity | Electricity purchased from electric companies for plant and office use |
| City gas, LPG | Gas used as energy source at plants and offices |
| Petroleum | Heavy fuels, kerosene, light oils, and gasoline used as energy source at plants and offices |
| Coke | Coke used as energy source at plants and offices |
| Water | Service water, industrial water, and underground water used at plants and offices (excluding recycled water) |
| Chemical substances | Toxic and PRTR-designated substances used for manufacturing (including by-products) |
| Paper | Office paper used at plants and offices |
| Packaging materials | Wood, cardboard, and plastics used for logistics and shipping of packaging materials |

Output Definitions

| | |
|---|--|
| CO ₂ | CO ₂ emissions resulting from electricity, gas, and fuel use |
| Nitrogen oxide (NO _x) | NO _x emissions resulting from gas and fuel use |
| SO _x | SO _x emissions resulting from fuel use |
| Wastewater | Wastewater from plants and offices |
| Chemical Oxygen Demand (COD) | Amount of oxygen used in the oxidation of substances (mainly organic) contained in wastewater from plants and offices |
| Nitrogen | NO _x contained in wastewater from plants and offices |
| Phosphorus | Phosphorus compounds contained in wastewater from plants and offices |
| Industrial waste | Waste, as defined by the Waste Disposal and Public Cleansing Law, generated from plants and offices as a result of business activities (excludes substances of value such as sludge, acid waste, alkali waste, and metals) |
| Direct landfill waste | Landfill waste not intermediately processed through crushing, incineration, etc. |
| Third-party intermediate processing waste | Landfill waste intermediately processed through crushing, incineration, etc. |
| Recycling | Recycling of raw materials, resources, and energy through reuse, material recycling, and thermal recycling |
| Waste generation | Total waste generated, including direct landfill waste, indirect landfill waste, and recycled waste |
| CO ₂ from logistics | CO ₂ generated from the transport of finished products from Toyota Industries to the initial customer |

| Textile Machinery | Compressors | Forklift Trucks | Automobiles | Engines | Electronic Components | |
|---|--|---|---|---|--|-------|
|  |  |  |  |  |  | |
| Plants | | | | | | |
| Kariya | Kariya, Obu, Higashiura | Takahama | Nagakusa | Hekinan | Higashichita | Kyowa |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <ul style="list-style-type: none"> •Creating designs with improved energy efficiency •Reducing use of substances of concern | <ul style="list-style-type: none"> •Reducing weight and improve efficiency •Reducing power consumption •Reducing use of substances of concern | <ul style="list-style-type: none"> •Developing clean-energy vehicles² •Achieving cleaner exhaust gas emissions •Reducing use of substances of concern •Improving recyclability | <ul style="list-style-type: none"> •Creating designs with reduced weight •Reducing use of substances of concern •Improving recyclability | <ul style="list-style-type: none"> •Improving fuel efficiency and combustion efficiency •Reducing noise and vibration •Reducing use of substances of concern | <ul style="list-style-type: none"> •Reducing use of substances of concern | |

OUTPUT

Distribution



Environmental Aspects

- Operation of trucks and other forms of transport

Environmental Impact

- Resource depletion •Global warming
- Air pollution •Noise and vibration

Development and Design Activities

- Logistics streamlining

OUTPUT

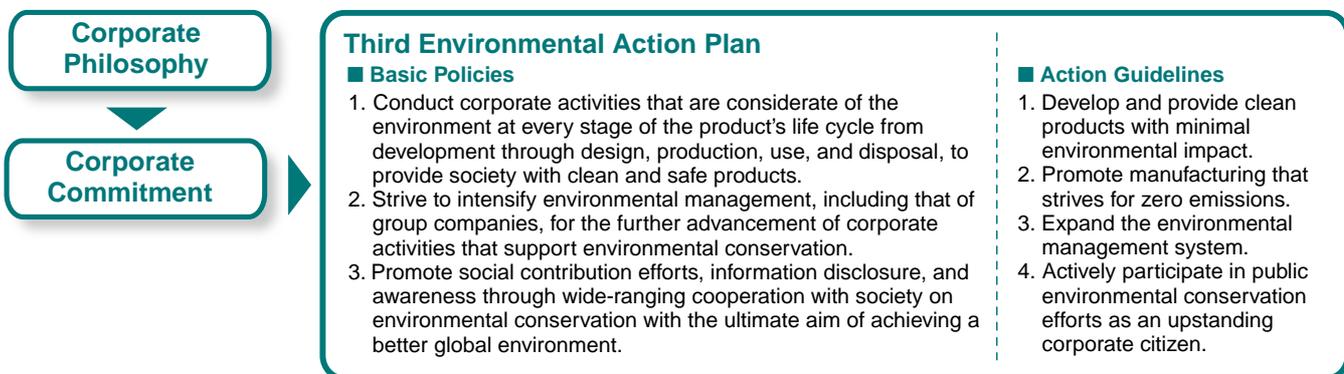
Total CO₂ emissions:
6.9 kt-CO₂

| Category | Description | Volume |
|--|---|-------------------------|
| Greenhouse gases  | Total output | 302 kt-CO ₂ |
| | CO ₂ | 292 kt-CO ₂ |
| | Greenhouse gases other than CO ₂ | 10 kt-CO ₂ |
| Air  | SO _x | 102 m ³ N |
| | NO _x | 48,006 m ³ N |
| | VOCs* ³ | 2,728 tons |
| | PRTR-designated substances | 677 tons |
| Water  | Wastewater | 3,059 km ³ |
| | COD | 16 tons |
| | Nitrogen | 12 tons |
| | Phosphorus | 0.1 tons |
| | PRTR-designated substances | 4 tons |
| Industrial waste  | Total output | 61,562 tons |
| | Recycled waste | 60,012 tons |
| | Direct landfill waste | 1,097 tons |
| | Third-party intermediate processing waste | 453 tons |

Environmental Management

Environmental Action Plan and FY 2003 Results

Third Environmental Action Plan



Action Policies, FY 2003 Targets, and Results for the Third Environmental Action Plan (non-consolidated)

Product Development and Products Assessment scores indicate the level of achievement against the FY 2003 targets.
 Action Guideline: Develop and provide clean products with minimal environmental impact : Target achieved : 90% or better rate of achievement
 x: Less than 90% rate of achievement

| Targets | Action Policies | FY 2003 Targets | Results | Assessment | Reference |
|--|---|--|---|------------|-----------|
| Improve fuel efficiency | <ul style="list-style-type: none"> Achieve best-in-class fuel efficiency in all countries and regions and reduce CO₂ emissions Improve fuel efficiency and reduce CO₂ emissions through the development of energy conservation technologies | Improve compressor fuel efficiency | Developed ES18 electric compressor for new Toyota Prius | | p.24 |
| | | Develop lighter vehicle bodies | Developed upper body for new Toyota Prius | | p.25 |
| Reduce exhaust gases | <ul style="list-style-type: none"> Tailor measures in accordance with usage environments | Achieve cleaner diesel engine emissions | Developed 14Z engine compliant with Japanese exhaust gas regulations for special vehicles | | p.25 |
| Develop clean-energy vehicles | <ul style="list-style-type: none"> Launch new vehicles in accordance with market conditions Develop clean products that meet market needs | Improve performance of shovel loaders | Introduced model change for 4WD Shovel Loader (4SDT) compliant with exhaust gas regulations for special vehicles (Ministry of Land, Infrastructure and Transport) | | p.25 |
| Improve recyclability | <ul style="list-style-type: none"> Promote recyclable designs contributing to the target of a 95% recycling rate by 2015 Increase the use of recycled materials | Establish materials regulation guide | Established materials regulation guide | | - |
| | | Monitor wrecking companies on-site | Conducted on-site monitoring at 11 locations | | p.23 |
| Control and reduce substances of concern | <ul style="list-style-type: none"> Develop a world-class system for global management of chemical substances | Revise technical standards regarding substances of concern | Revised 170 technical standards | | p.20 |
| | | Discuss with suppliers switchover to EU-compatible parts | Held special conference on hexavalent chromium | | |
| Reduce noise | <ul style="list-style-type: none"> Further reduce noise from all sources in automobiles and forklift trucks | Reduce noise levels for shovel loaders | Introduced model change for 4SDT compliant with new standards for low-noise construction equipment (Ministry of Land, Infrastructure and Transport) | | p.25 |
| Prevent global warming due to car air conditioners | <ul style="list-style-type: none"> Develop compressors that are compatible with new alternative refrigerants to HFCs | Develop compressor that uses new refrigerant | Continued development on electric compressor that uses CO ₂ refrigerant | | - |
| Strengthen environmental assessment at the development and design stages | <ul style="list-style-type: none"> Conduct prior assessments of all the environmental impact throughout the product life cycle from the very first stage of development and design | Establish environmental data system | Established environmental data system | | p.22-23 |
| | | Consider life cycle assessment guidelines | Examined establishment of life cycle assessment | | |
| Strengthen cooperation with business partners | <ul style="list-style-type: none"> Promote green procurement** through strengthened cooperation with business partners | Examine revised green procurement guidelines | Examined revised green procurement guidelines | | p.21 |
| | | Assist in establishment of EMS | Provided guidance and workshops for EMS | | |

Manufacturing and Logistics Action Guideline: Promote manufacturing that strives for zero emissions

| Targets | Action Policies | FY 2003 Targets | Results | Assessment | Reference |
|--|---|--|---|------------|-----------|
| Set global warming preventive measures | <ul style="list-style-type: none"> Actively promote CO₂ reduction measures Reduce total emissions by 5% compared with FY 1990 levels by March 2006 (10% by FY 2010) Promote thorough energy conservation programs Develop technology to reduce CO₂ emissions during manufacturing | Total CO ₂ emissions: 261.7 kt-CO ₂ | Total CO ₂ emissions: 264.6 kt-CO ₂ | | p.26-29 |
| | | Emissions per net sales CO ₂ emissions: 374 t-CO ₂ /billion yen | Emissions per net sales: 353 t-CO ₂ /billion yen | | |
| | | EReduction in CO ₂ emissions (from FY 2001): 20.5 kt-CO ₂ | Reduction in CO ₂ emissions: 22.5 kt-CO ₂ | | |

*1 Green procurement: procurement of parts and raw materials from ISO 14001 certified suppliers that contain reduced levels of substances of concern.
 *2 Zero landfill waste: defined by Toyota Industries as a 95% or greater reduction in direct landfill waste compared with FY 1998 levels, and a 95% or greater reduction in indirect landfill waste compared to 1999 levels.
 *3 Water consumption: the total water consumption of six plants, excluding Higashichita and Higashiura Plants, which began operations in 2001 and 2002, respectively.

Third Environmental Action Plan

The Environmental Action Plan expands on the basic philosophy of Toyota Industries, which states, "Toyota Industries believes that economic growth and conservation of the natural environment are compatible. It strives to offer products and services that are clean, safe, and of high quality." The Plan sets forth major policies and guidelines for environmental activities, so that Toyota Industries may promote the environmental action plan throughout the company.

Toyota Industries established its Third Environmental Action Plan in 2000, covering a five-year period ending in FY 2005. During FY 2003, which marked the midpoint for the plan, the company sought to address specific areas for improvement as it worked to meet the overall objectives set by the plan. These company-wide efforts are implemented under the direction of the specialized subcommittees that work under the Environmental Committee.

Manufacturing and Logistics Action Guideline: Promote manufacturing that strives for zero emissions

| Targets | Action Policies | FY 2003 Targets | Results | Assessment | Reference |
|--|--|---|---|------------|-----------|
| Strictly control and reduce the use of substances of concern | <ul style="list-style-type: none"> Heighten proper control and voluntary reduction of chemical substances used in production processes PRTR: Reduce total emissions of targeted substances by 50% compared with FY 1998 levels by March 2006 VOCs: Promote total emissions reduction and reduce emissions from painting lines by 50% compared with FY 1998 levels by March 2006 | Total emission of PRTR-designated substances: 619 tons | Total emissions: 685 tons | x | p.30-32 |
| | | VOC emissions per net sales: 3.1 tons/billion yen | Emissions per net sales: 3.3 tons/billion yen | | |
| Reduce waste and conserve resources | <ul style="list-style-type: none"> Reduce waste for achievement of zero landfill Zero landfill: Eliminate direct landfill disposal at all plants by March 2004 Promote paperless operations by enhancing in-house IT network systems | Direct landfill industrial waste volume: 1,120 tons | Volume: 1,097 tons | | p.34-35 |
| | | Indirect landfill industrial waste volume: 300 tons | Volume: 74 tons Zero landfill waste*2 achieved at all plants | | |
| Curtail water use | <ul style="list-style-type: none"> Various activities | Consumption per vehicle: 4.4 m ³ /vehicle | 3.8 m ³ /vehicle | | p.35-36 |
| | | Water consumption*3: 3,080 km ³ | 2,605 km ³ | | |
| Conduct logistics streamlining measures | <ul style="list-style-type: none"> Improve transport efficiency and promote CO2 reduction and resource conservation through the reduction of packing materials | CO ₂ emissions from logistics operations: 6.8 kt-CO ₂ | Emissions: 6.3 kt-CO ₂ | | p.36-38 |
| | | Packing material consumption: 3,880 tons | Consumption: 4,398 tons | | |

Environmental Management Action Guideline: Expand environmental management system

| Targets | Action Policies | FY 2003 Targets | Results | Assessment | Reference |
|---|---|---|--|------------|-----------|
| Expand environmental management system | <ul style="list-style-type: none"> Develop basic policies and organize administration system for group companies Acquire ISO 14001 certification at group companies | Plants: Conduct workshops with personnel from overseas manufacturing-related companies Conduct briefing sessions on adoption of green procurement and environmental accounting practices | Conducted workshops during month of July 2003 Conducted briefing sessions | | p.18-19 |
| | | Sales companies: Conduct workshops on EMS and provide guidance for calculating environmental indicators | Conducted workshops and provided guidance | | |
| | | Provide support for acquisition of ISO 14001 certification | ISO 14001 certification acquired by six companies | | |
| Enhance environmental accounting system | <ul style="list-style-type: none"> Develop environmental accounting system | Improve efficiency and accuracy of calculation system | Linked with in-house accounting system | | p.15 |

Corporate Citizenship Action Guideline: Actively participate in public environmental conservation

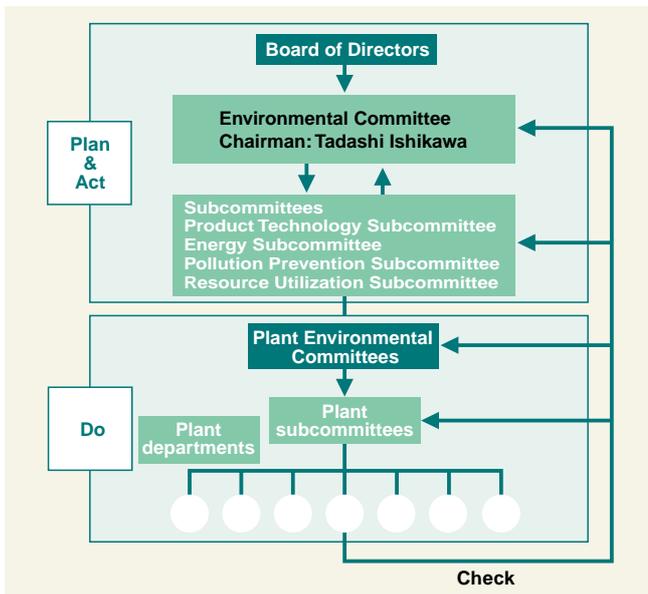
| Targets | Action Policies | FY 2003 Targets | Results | Assessment | Reference |
|---|--|--|--|------------|-----------|
| Make efforts to create a recycling-oriented society | <ul style="list-style-type: none"> Participate in efforts in the public sphere aimed at the achievement of a 95% recycling rate by 2015 | - | - | - | - |
| Promote community involvement | <ul style="list-style-type: none"> Broaden dialogue with local communities and intensify commitment to "greenery activities" | Offer support based on the theme of the global environment | Provided support to Keidanren Nature Conservation Fund (3 events) | | p.45 |
| | | Employee volunteer activities | Clean-up activities, support of iris cluster environmental preservation activities (29 events) | | |
| Promote public relations and disclosure activities | <ul style="list-style-type: none"> Expand environmental disclosures | Publish an environmental report | Published the Environmental Report 2003 (July) | | p.46 |
| | | Use environmental advertising for external PR | Monthly post of advertisement with an environmental theme in newspapers | | |
| | | Improve internal communications | 19 articles on the environment in the company magazine | | |

Environmental Management

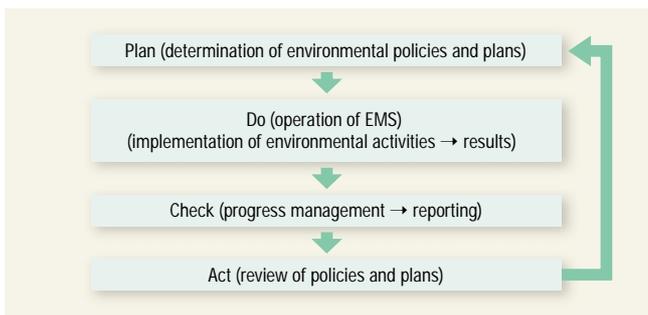
Toyota Industries is continually striving to improve its EMS through the implementation of measures that are consistent with the true spirit of environmental management.

Toyota Industries places environmental activities among its highest priorities as a means of fulfilling the company's social responsibility and achieving sustained corporate growth. The EMS ensures that concrete activities take root and are continually improved and implemented. Toyota Industries' EMS has expanded to other branches of the company beyond manufacturing, and now encompasses such areas as product development and its management and services divisions. Toyota Industries is fully committed to promoting measures that are consistent with the true spirit of environmental management, and to ensuring that each of its employees recognizes the fundamental relationship that exists between their work and the environment.

Organizational Framework for Environmental Management



Plan, Do, Check, Act (PDCA) Cycle



Organization

In order to successfully promote environmental management, Toyota Industries recognizes that its company-wide policies and plans must encompass every plant and branch within the company, to be carried out by each of its employees. The company's Environmental Committee is chaired by the president and is responsible for determining the company's environmental policies and plans, as well as verifying the results of its environmental activities. The committee is assisted by four subcommittees that provide guidance on specialized areas relating to the company's products and manufacturing activities. In accordance with the policies and plans of the Environmental Committee, the Plant Environmental Committees and Plant Subcommittees operate the company's EMS at each plant and implement specific activities that lead to concrete results.

EMS

Toyota Industries has operated its EMS since 1996, with the aim of sustaining and continually improving its environmental management efforts. Presently, the company has acquired ISO 14001 certification for all of its plants in Japan. Since FY 2001, Toyota Industries has expanded the scope of areas requiring ISO 14001 certification to encompass its product development, management, and services divisions. (For more information about the ISO 14001 certification status of Toyota Industries, please refer to p.56.)

Environmental Audits

Toyota Industries conducts regular internal environmental audits and receives an annual external environmental audit performed by an external audit organization. The company carefully studies the results of these audits in order to continually improve its EMS and its environmental performance.

The external environmental audit performed in FY 2003 concluded that the company's EMS at each plant was being suitably maintained and continuously improved. In terms of areas for improvement, the external audit identified the need for a better understanding and an increased use of indirect environmental impact assessments on the part of Toyota Industries' management and services divisions. Currently, the company is working to address these shortcomings.

Toyota Industries also conducts in-house training in order to develop internal environmental auditors who possess sufficient knowledge and are capable of properly executing internal audits that will lead to improvements within the company. (For more information about this topic, please refer to p.50.)

Environmental Audit Results

| ISO 14001 Requirements | Shortcomings Noted | | Observations and Minor Nonconformities |
|--------------------------------|-----------------------|---------------------|--|
| | Minor Nonconformities | Observational Notes | |
| Environmental policy | 0 | 0 | — |
| Planning | 1 | 6 | Adoption of indirect impact assessments not yet widespread |
| Implementation and operation | 1 | 7 | Infrequent identification of management items for document control and emergencies |
| Checking and corrective action | 0 | 5 | Deficiency in implementing corrective action and internal audits |
| Management review | 0 | 0 | — |
| Total | 2 | 18 | — |

Environmental Accounting

Environmental accounting is a critical tool for environmental management that enables the company to effectively implement environmental activities within its corporate management.

Toyota Industries is calculating, based on the **Environmental Accounting Guidelines (2002)** published by Japan's Ministry of the Environment, the investment and costs associated with its environmental activities, which are categorized according to the purpose of each activity. The results of its environmental accounting data are published in its **Social & Environmental Report**. In addition to supporting full information disclosure, Toyota Industries fully intends to incorporate environmental accounting data into the decision-making process for its corporate management, in order to improve the efficiency of the company's environmental activities.

FY 2003 Summary

In FY 2003, environmental conservation costs totaled 9.09 billion yen, consisting of 2.24 billion yen in investments and

6.85 billion yen in expenses. Toyota Industries' major investments consisted of a 620-million-yen investment for the adoption of a cogeneration system, and a 1.3 billion yen investment in equipment designed to prevent global warming, such as equipment upgrades to improve energy efficiency and the adoption of solar power generation systems. Other major investments included upgrades to wastewater processing equipment and new powder coating equipment designed to reduce VOC emissions.

Expenses in FY 2003 increased by 600 million yen over the previous year due to higher processing costs. The increase in processing costs resulted from the additional accounting of waste processing costs incurred by TIBC Corporation, which was included in Toyota Industries' environmental accounting for the first time in FY 2003, and also from the intensification of recycling within the company. Additional factors were the costs associated with the development of manufacturing technologies designed to emit reduced levels of substances of concern, the expanded promotion of environmental disclosure, and the ongoing soil purification efforts.

Economic benefits from the company's environmental conservation strategies totaled 1.44 billion yen, covering only those benefits that could be determined at the present time. The company reduced its energy costs by 190 million yen due to strategies aimed at preventing global warming. Expenses decreased by 60 million yen due to reductions in water consumption and wastewater processing costs.

■ FY 2003 Environmental Accounting*1 Results

| Environmental Conservation Categories | | Environmental Conservation Costs (millions of yen) | | Economic Benefit*3 (millions of yen) | Environmental Conservation Benefit*4 | | Reference | |
|---------------------------------------|---|--|-----------|--|--|--|-------------------------|------|
| | | Investment | Expense*2 | | | | | |
| Business area costs | Pollution prevention | Air pollution prevention | 74 | 224 | – | Reduced SOx emissions 768 m ³ N | p.33 | |
| | | Water pollution prevention | 709 | 555 | Reduced wastewater processing costs 33 | Reduced NOx emissions | 13,457 m ³ N | p.33 |
| | | | | | | Reduced VOC emissions | 46 tons | |
| | Reduced quantity of wastewater processing | | | | | 183 km ³ | | |
| | Resource conservation | Global environmental conservation | 1,312 | 1,429 | Reduced energy consumption 187 | Reduction in total COD | 3,174 kg | p.33 |
| | | | | | | Reduction in total nitrogen (TN) emissions | 3,501 kg | |
| | | | | | | Reduction in total phosphorous (TP) emissions | 47 kg | |
| | | | | | | Reduced release and transfer of PRTR-designated substances | 51 tons | |
| | Resource conservation | Industrial waste reduction | 50 | 1,041 | Gain on sale of reusable materials 1,195 | Reduced CO ₂ emissions | 5 kt-CO ₂ | p.31 |
| | | Water consumption reduction | 18 | 15 | Reduced consumption of water | Recycling volume*5 | 5,346 tons | p.34 |
| Other resource utilization | | – | 16 | Reduced consumption of paper products 4 | Water conservation | 42 tons | p.35-36 | |
| | | | | | Paper conservation | 34 tons | – | |
| Upstream/downstream costs | | – | 41 | – | Promoted green procurement | | p.21 | |
| Administrative costs | | 13 | 964 | – | Reduced CO ₂ emissions and packaging materials consumption from logistics | | p.36-37 | |
| R&D costs | | 55 | 2,269 | – | Strengthened environmental auditing by adopting environmental information system | | p.22 | |
| Social contribution costs | | – | 3 | – | Developed environmentally friendly products | | p.24-25 | |
| Environmental remediation costs | | – | 260 | – | Developed processes to reduce emissions of substances of concern | | p.20 | |
| Total | | 2,240 | 6,851 | 1,441 | Contributed personnel, facilities, and capital for the sake of the community | | p.42-45 | |
| | | | | | Promoted purification of underground water and soil | | p.16 | |

*1 Environmental accounting was implemented for Toyota Industries' eight domestic plants, CO/BS, and TIBC Corporation.

*2 Depreciation is not factored into expenses. Investments and expenses that apply to more than one category are calculated on a proportional basis.

*3 Earnings, recorded as an economic benefit of environmental conservation, are taken directly from FY 2002 financial statements. Reductions in environmental costs are calculated by multiplying the environmental impact quantity by the unit cost.

*4 Environmental conservation benefits are calculated using the following formula: Environmental Conservation Benefit = FY 2001 Environmental Impact by Quantity × (FY 2002 Net Sales/Net Sales During Reference Period) – FY 2002 Environmental Impact by Quantity.

*5 Recycling volume: volume of recycled industrial waste that had not been recycled in the past.

Risk Management

Striving to prevent risks associated with manufacturing activities

Determined to see that its business activities comply with all environmental requirements, Toyota Industries is continually working to prevent risks associated with its manufacturing activities. The company is committed to preventing soil pollution from its manufacturing operations, and has created systems to ensure strict legal compliance while working to reduce the various risks associated with each stage of the company's manufacturing activities. Toyota Industries also discloses information on its use of chemical substances to the community.

Regular Report on Soil Pollution

Toyota Industries is involved in the testing and purification of polluted soil and groundwater that resulted from the company's past use of trichloroethylene in its manufacturing processes. The company is working to prevent the outflow of pollutants beyond its plant boundaries and is taking measures to purify contaminated soil. Soil excavation^{*1}, iron powder mixing^{*2}, and vacuum pump extraction^{*3} techniques are being used to purify and recover contaminated soil found within the boundaries of its plants. The company regularly reports its testing results to government agencies and makes the data available to the public through regular meetings with the community.

In February 2003, Toyota Industries formulated a new set of procedures for equipment installations with the aim of preventing future recurrences of soil and groundwater pollution. These procedures specify the use of aboveground construction for new storage facilities and piping, and clarify the control methods used to prevent accidental leakage. Measures to prevent soil contamination were utilized to construct the company's new Higashichita and Higashiura Plants, and included the use of aboveground piping and underground pits with double-wall construction.

FY 2003 Trichloroethylene Readings Reference value: 0.03 mg/l

| Plant | Average Density of Plant Groundwater | Present Status |
|--------------|--------------------------------------|------------------------------|
| Kariya Plant | 1.31 mg/l | Ongoing purification efforts |
| Kyowa Plant | 2.69 mg/l | Ongoing purification efforts |

* Testing was performed at eight domestic plants. No trichloroethylene was detected at the other plants.

Legal Compliance and Environmental Litigation

Toyota Industries received no citations for legal infractions nor fines related to the environment during FY 2003.

*1 Soil excavation: technique involving excavation and purification of contaminated soil.

*2 Iron powder mixing: technique in which soil is mixed with iron powder and an oxidizing agent in order to break down pollutants.

*3 Vacuum pump extraction: technique involving the use of vacuum pumps to extract gaseous pollutants from soil, for adsorption and removal using active charcoal.

Environmental Risk Prevention

Strict Enforcement of Legal Compliance

Toyota Industries CO/BS is responsible for monitoring changes to environmental laws and regulations, and communicating those changes to the managers and employees of the company's eight domestic plants. In accordance with the EMS at each plant, the company identifies pertinent rules and regulations based on the plant's location and business activities in order to implement new regulatory requirements through concrete measures at each plant.

Accident Prevention: Prior Assessment System for Chemical Substances

A prior assessment system is used when the company is considering a procurement, whether of paint or any other new items used in manufacturing. Toyota Industries also performs risk assessments of chemical substances contained in new items, which assists the company in its efforts to reduce chemical substance usage.

Underground Oil Seepage Prevention Measures

Toyota Industries has established medium and long-term plans aimed at preventing soil contamination resulting from underground oil seepage. During FY 2003, the company conducted on-site surveys of specific underground tanks, underground pits, and waste storage areas where there was a risk of soil contamination. The company is planning to initiate such measures as converting to double-wall construction for both existing and future structures, and implementing routine inspections based on the new guidelines introduced in January 2004.

Environmental Accident Prevention: Management of High-Risk Equipment and Processes

High-risk equipment that could cause an environmental accident or lead to environmental-related complaints are thoroughly examined at the process level and routinely subjected to strict controls. The company regularly conducts safety drills and carries out testing with the aim of minimizing the damage that could occur in the event of an accidental leakage of a chemical substance.



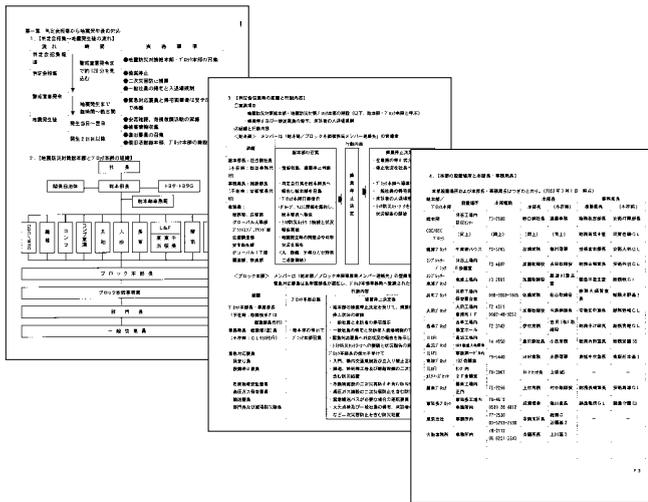
Fire Response Drill

Chemical Release Response Drill



Tokai Earthquake Preparations

Aichi Prefecture, which is home to Toyota Industries, has been officially identified as an area that could potentially be affected by a major earthquake occurring in the Tokai region. In response, Toyota Industries has created an in-house Earthquake Response Manual based on the urgent need to implement earthquake measures. In an effort to prevent future earthquake-related accidents, the company is conducting surveys to determine the potential environmental impact of its manufacturing equipment in the event of a major earthquake, from the standpoint of both the environment and equipment safety.



Toyota Industries Earthquake Response Manual



Verification Checklist for Waste Processing Firms

Monitoring of Waste Processing: On-site Inspections of Subcontractors

Toyota Industries conducts annual on-site inspections of the waste processing and waste removal firms Toyota Industries contracts with, in order to ensure that these firms are properly disposing of the company's waste. During FY 2003, the company performed on-site inspections of 29 firms and began polling its subcontractors regarding the recycling rate of the company's waste, with the aim of ensuring that its recyclable resources are being effectively utilized.



Risk Communication

Risk Communication

Toyota Industries holds annual meetings with community representatives to disclose information about its business activities and environmental activities, and to encourage a two-way dialogue with the community. Twelve meetings were conducted in FY 2003 and were used to convey information about the company's environmental data and its chemical substance management.

Subsidiary Spotlight

Emergency Response Drills for LPG Storage Facility KTTM

India-based KTTM conducts training and emergency response drills for its suppliers and employees, which enables the company to better respond in the event of an explosion or fire at its on-site LPG storage facility.



Emergency Response Drill

Group-Wide Environmental Management

A group-wide effort to strengthen global environmental activities and promote environmental management

Group-Wide Policies

The Toyota Industries Group recognizes the need to conduct environmental activities on a group-wide scale as a means of contributing to the creation of a sustainable society. These activities must encompass the entire product life cycle, including the development, manufacturing, and sale of its products. To achieve these goals, the company has created the Toyota Industries Group Corporate Commitment to the Environment, with the aim of ensuring that each of its subsidiaries and affiliates carries out the same commitment to the environment.

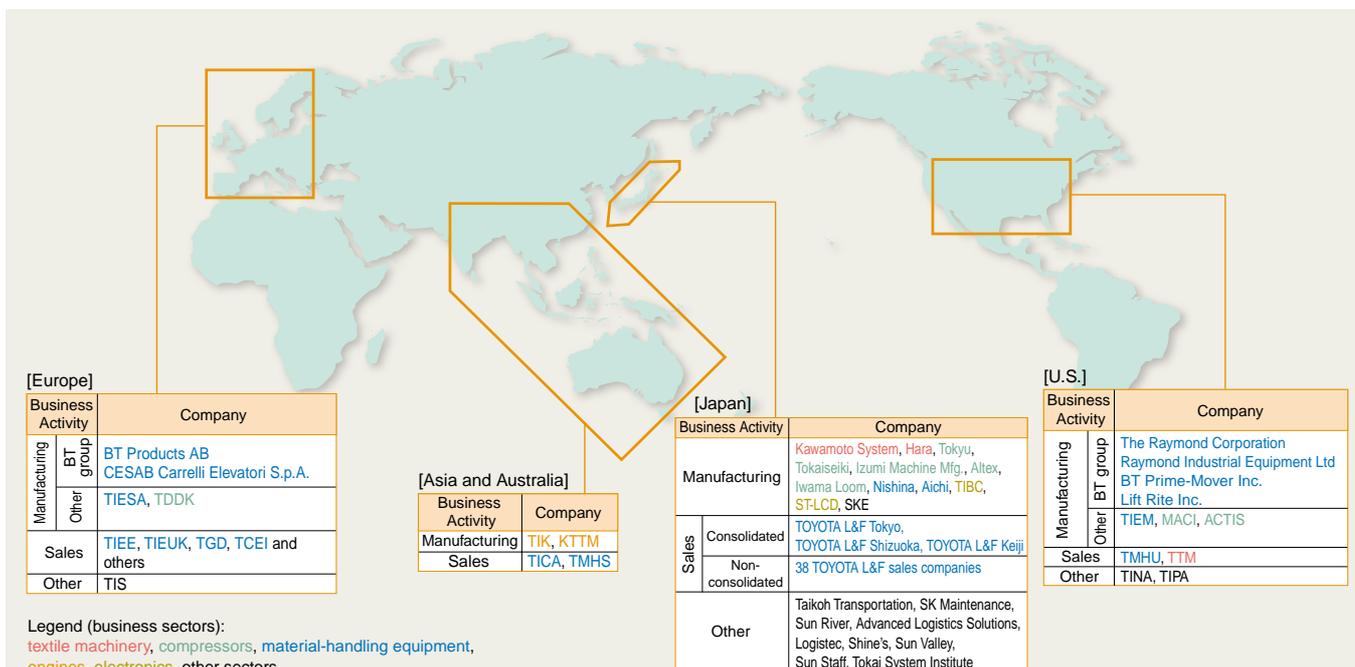
Scope of Activities

In previous years, the scope of Toyota Industries' group-wide environmental management system was limited to the parent company and its consolidated subsidiaries and affiliates accounted for by the equity method. However, the company has decided to expand this scope to include 38 of TOYOTA L&F sales companies* in Japan.

Requirements

Toyota Industries has established several levels of requirements for participation in its group-wide environmental management. The requirements vary, based on the environmental impact and risk factors presented by each company subject to the group-wide

Scope of Group-Wide Environmental Management (as of end of March 2004)



EMS. The company is committed to regularly checking the progress of these companies, in order to ensure that these requirements are being fulfilled, and to providing support where needed.

EMS

The establishment of an ISO 14001 based EMS is viewed as a prerequisite for these companies to successfully promote environmental activities. Toyota Industries provides a wide range of support activities that are aimed at promoting the acquisition of ISO 14001 certification by manufacturing-related companies, due to their significant impact on the environment. The company conducts briefing sessions on ISO 14001 requirements to assist in the creation of EMSs, and provides training to develop internal environmental auditors. Toyota Industries has set a goal that all of its manufacturing-related companies will have acquired ISO 14001 certification by FY 2005. (For more information about the ISO 14001 certification status of Toyota Industries' subsidiaries, please refer to p.56.)

Requirements for Companies Subject to Group-wide EMS

| Business Activity | Requirement |
|-------------------|--|
| Manufacturing | <ul style="list-style-type: none"> Establish EMS and acquire ISO 14001 certification (minimum requirement) Submit environmental data Submit reports on operating status of EMS Introduce environmental accounting and green procurement Receive external audits |
| Sales | <ul style="list-style-type: none"> Establish EMS and acquire ISO 14001 certification (minimum requirement) Submit environmental data Submit reports on operating status of EMS (Recommendation to establish EMS and acquire ISO 14001 certification) Establish EMS based on in-house guidelines and provide status reports |
| | (Recommendation to establish EMS and acquire ISO 14001 certification) Establish EMS based on in-house guidelines and provide status reports |
| Other | (Recommendation to establish EMS and acquire ISO 14001 certification) Establish EMS based on in-house guidelines and provide status reports |

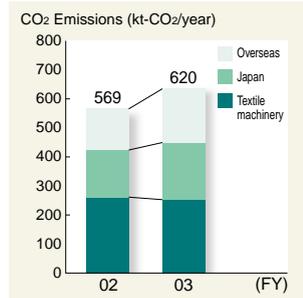
* Dealers who sell material handling equipment produced by Toyota Industries' TOYOTA Material Handling Company in Japan. "L&F" (Logistics and Forklift) refers to materials handling systems, industrial vehicles, and equipment.

Environmental Data Calculations

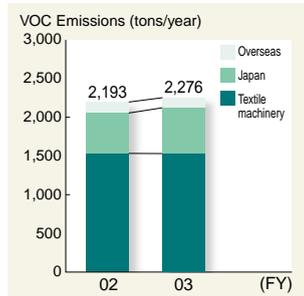
Toyota Industries has identified CO₂ emissions, VOC emissions, and industrial waste generation as major sources of environmental impact resulting from the business activities of the Toyota Industries Group. In response to this situation, the company has created in-house environmental performance data collecting guidelines that are used as the basis for calculating environmental data for major manufacturing-related subsidiaries and affiliates of the group. Toyota Industries has been tracking this data since FY 2002.

The group's output of CO₂ emissions, VOC emissions, and industrial waste uniformly increased during FY 2003. This trend arose from several factors, including major production increases by the company's domestic electronics-related plants and its casting business in China, as well as the expansion of its engine transmission business in India. In response to this situation, the Toyota Industries Group has made a commitment to clarifying the goals of its group-wide environmental activities, as it redoubles its efforts to reduce substances of concern.

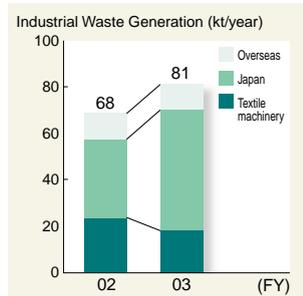
CO₂ Emissions



VOC Emissions



Industrial Waste Generation



Plant-related Activities

Environmental, Safety, and Health Workshop for Overseas Subsidiaries

In June 2003, Toyota Industries conducted a workshop with the participation of personnel from the health, safety, and environmental departments of its overseas manufacturing-related subsidiaries. The workshop included a summary presentation



Environmental Workshop for Overseas Manufacturing-related Subsidiaries

by Senior Managing Director Shiro Endo and information about the company's environmental, safety, and health activities. The workshop participants also took part in on-site observations of the company's domestic plants. The goal of the workshop was to encourage further activities and dialogue on a group-wide basis.

Green Procurement and Environmental Accounting

The adoption of green procurement and environmental accounting practices is viewed as an essential step toward promoting environmental management at each plant. During FY 2003,



Briefing Session

Toyota Industries conducted various briefing sessions concerning green procurement and environmental accounting at select domestic and overseas manufacturing-related subsidiaries and affiliates. The company intends to expand this program to encompass all of its major manufacturing-related subsidiaries and affiliates in the future.

EMS Assessments

Toyota Industries performed a series of assessments of its ISO 14001 certified plants during FY 2003, in order to address the ongoing need for better compliance with environment-related laws and to reduce the environmental risks of each plant. The assessments were specifically used to monitor the operational status of EMSs and to check the state of legal compliance at each plant. The information obtained from these assessments will be used to conduct future assessments of the environmental management performance at the company's subsidiaries and affiliates, which will enable Toyota Industries to provide assistance best suited to the needs of each individual company.



Assessment of EMS

Sales and Services-related Companies

In April 2003, Toyota Industries requested that its consolidated sales subsidiaries acquire ISO 14001 certification as a means of improving their current environmental activities. In the same month, the company conducted five workshops to assist its sales companies with their efforts to acquire ISO 14001



Workshop on Acquiring ISO 14001 Certification

certification. In January 2004, Toyota Industries conducted a briefing session on group-wide environmental management with the participation of 10 of its services-related subsidiaries in Japan.



Masazumi Konishi
Senior Managing Director
Chairman, Product
Technology Subcommittee

Product Technology Subcommittee

With the widening scope of environmental regulations on products, Toyota Industries is working to develop products with an eye to compliance with future regulatory standards.

The worldwide trend toward stronger environmental regulations on products has made regulatory compliance fundamental to the existence of corporations. As a global manufacturer, Toyota Industries places the utmost priority on environmental concerns in our product development activities while continuing to stress the importance of quality. Furthermore, we are aggressively pursuing the development of technology that enables us to address environmental issues. Despite our involvement in a diverse range of product areas, Toyota Industries is fully committed to incorporating environmental design into all of our products in order to minimize environmental impact throughout the entire product life cycle and to contribute to the sustained growth of society as a whole.

Environmental Design

Incorporating prior environmental assessments at the product development stage

The European Union has taken a leading role in strengthening its environmental regulations of products, and Toyota Industries firmly believes that other countries will follow suit. The Product Technology Subcommittee, which is made up of managers from the company's product development departments, is responsible for monitoring regulatory trends and identifying the impacts on company products in order to determine what product changes need to be made. Environmental regulations on products can range from conventional standards aimed at improving fuel efficiency and achieving cleaner exhaust gas emissions, to regulations on the use of substances of concern and the recycling rate of products. Compliance with these regulations requires the use of environmental assessments and environmental measures throughout the entire product life cycle.

Toyota Industries has acquired ISO 14001 certification for its product development and design departments, with the aim of incorporating environmental measures at the product development stage. In FY 2003, the company established an environmental data processing system that tracks the applicability of environmental regulations for each of its products. Looking forward, Toyota Industries will seek to further improve the recyclability of its products and expand the capabilities of its life cycle assessment (LCA) system*1, which will enable the company to optimize its environmental assessments covering the entire product life cycle.

Regulatory Trends

| Description | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|-----------------|------|----------------------------|----------------|-------------|------|-------------|------|
| EU's end-of-life vehicle (ELV) directive | Enforcement | | Tightening | | Tightening | | Tightening | |
| Substances of concern | Four substances | | | | | | | |
| Recycling rate | | | Certification requirements | | | | | |
| EU waste electrical and electronic equipment (WEEE) directive | | | | Enforcement | | | | |
| Substances of concern | | | | Six substances | | | | |
| Recycling rate | | | | | Enforcement | | | |
| EU regulation on fluorinated greenhouse gases | | | Expected enforcement | | | | | |
| EU regulation on fluorinated gas leakage | | | Certification requirements | | | | | |
| EU regulation on fluorinated gas use | | | | | | | Enforcement | |
| Automobile Recycling Law (Japan) | | | Full-scale enforcement | | | | | |

Management of Substances of Concern

Managing and reducing substances of concern in every product

The EU's ELV directive*2, which took effect in July 2003, banned the use of lead, mercury, cadmium, and hexavalent chromium in vehicles sold in Europe. Toyota Industries has made a commitment to abandoning the use of these substances, in both its automotive-related products and other products not specifically covered by the ELV directive, as part of a company-wide effort to manage and reduce the use of substances of concern.

Revising Technical Standards

Toyota Industries utilizes in-house technical standards as a key component of its product development and design activities. The company has revised 170 of its in-house technical standards based on the introduction of new environmental legislation regarding substances of concern. These changes are designed to ensure strict regulatory compliance at the product development stage. The revised standards cover everything from surface plating processes to the use of screws, steel sheeting, and other products containing substances of concern.

Reducing Hexavalent Chromium Use

Hexavalent chromium, a substance that prevents rust, will be banned under the EU's ELV directive from July 2007. It can be found in nuts, bolts, and other parts commonly used throughout Toyota Industries' divisions. As part of a company-wide effort to reduce the use of hexavalent chromium, the company conducted a survey of four of its suppliers to determine what preparations have been made to eventually phase out the use of hexavalent chromium. To assess the level of progress in finding substitutes for hexavalent chromium, the company is holding Hexavalent Chromium Special Workshops to increase knowledge and awareness regarding this substance.

*1 The LCA system assesses the environmental impact of a product throughout its entire life cycle, including the manufacturing, transport, usage, and disposal of the product.

*2 The ELV directive was adopted by the European Union to reduce the environmental impact and improve recyclability during the scrapping of used vehicles.

Green Procurement

Forming partnerships with suppliers to procure environmentally friendly products, while prioritizing the procurement of materials with a low environmental impact

Toyota Industries recognizes that it has a critical mandate to reduce its overall impact on the environment by using materials with low environmental impact in order to manufacture, and provide its customers with, environmentally friendly products. To achieve this goal, the company is requesting that its suppliers establish in-house environmental management systems, while managing their use of substances of concern. Toyota Industries is committed to creating a positive partner relationship with its suppliers as a means of promoting green procurement. To assist its suppliers, the company conducts workshops on green procurement and environmental regulations, and arranges on-site visits to monitor the environmental management efforts of its suppliers.

Overview of Activities

Toyota Industries recognizes the increasing emphasis that must be placed on developing environmentally friendly products, and the need to consider the environment in all its procurement activities.

Toyota Industries has adopted environmental standards that govern its procurement from suppliers, in addition to its usual quality, cost, and lead time requirements. These standards are listed in the company's Environmentally Preferable Purchasing Guidelines, which are based on a corporate policy to procure parts and raw materials that have a low environmental impact. Each supplier is required to comply with the guidelines, which state that suppliers must establish an environmental management system and strive to manage and reduce their usage of substances of concern. At the end of FY 2003, 87.5% of suppliers had satisfied the company's requirement of creating their own environmental management system.

Green Procurement Standards

| Category | | Standards for Green Supplier Certification |
|-----------------------|---------------|--|
| Suppliers | | Has ISO 14001 certification or meets in-house standards |
| Substances of concern | Products | Does not contain 19 categories of substances, including heavy metals |
| | Manufacturing | Does not utilize 457 substances, including organochlorine substances |
| Other requirements | | <ul style="list-style-type: none"> Submission of official corporate commitment to regulatory compliance Reporting of material composition data, etc. |

Toyota Industries Procurement Policy

- Fair competition based on an open door policy
- Amicable relationship of mutual benefit based on mutual trust
- Environmentally friendly products based on green procurement
- Localization of business based on good corporate citizenship
- Sound conduct in accordance with the relevant procurement laws

Working Closely with Suppliers

Toyota Industries uses an environmental rating system to assess the quality of the environmental management practiced by its suppliers. In order to assist the suppliers in their efforts to improve their environmental management, the company conducts workshops and other support programs that meet the specific needs of each firm. The workshops cover various subjects including environmental regulations and the establishment of environmental management systems. Furthermore, Toyota Industries works closely with the major suppliers that figure prominently in the company's business activities, conducting on-site inspections of the suppliers' premises aimed at reducing and preventing environmental risks.

Overview of Support Activities

| Activity | Scope | Description |
|--|--|---|
| Workshops on establishing EMS | Suppliers scheduled to acquire certification | <ul style="list-style-type: none"> Explanation of ISO requirements Discussion of case studies |
| Seminars on improving EMS | Suppliers seeking to meet standards created by Toyota Industries | <ul style="list-style-type: none"> Explanation of ISO requirements On-site guidance |
| Workshops on environmental regulations | Major suppliers | <ul style="list-style-type: none"> Explanation of environmental regulations Discussion of regulatory trends |

On-site Inspections of Major Suppliers

Toyota Industries conducts on-site inspections of its major suppliers, with a strong emphasis on monitoring the state of regulatory compliance and chemical substance management, and on reducing any environmental risks caused by the suppliers. Should the company identify an area in need of improvement, Toyota Industries then provides the appropriate guidance based on its own experience. Suppliers are then



Seminar on Improving EMS

re-inspected as a means of strict prevention against environmental risks.

Environmental Information System

Establishing a system to assess and comprehensively track substances of concern in raw materials and parts

Toyota Industries uses a large variety of raw materials and parts in order to manufacture its diverse lineup of products. In FY 2003, the company established a new environmental information system that plays a key role in the development of environmentally friendly products. The database system is capable of comprehensively managing environmental information relating to the company's products, including tracking the use of substances of concern in its products. In addition to ensuring regulatory compliance by the company, the system can be used to quickly submit data, regarding the existence of substances of concern in the company's products and parts, at the request of customers. In the future, Toyota Industries will expand the system to cover a wide range of other applications such as determining recycling rates, conducting LCAs, and promoting green procurement.

Overview

Toyota Industries' environmental information system comprehensively tracks substances of concern used in materials and parts handled by the company's main divisions.

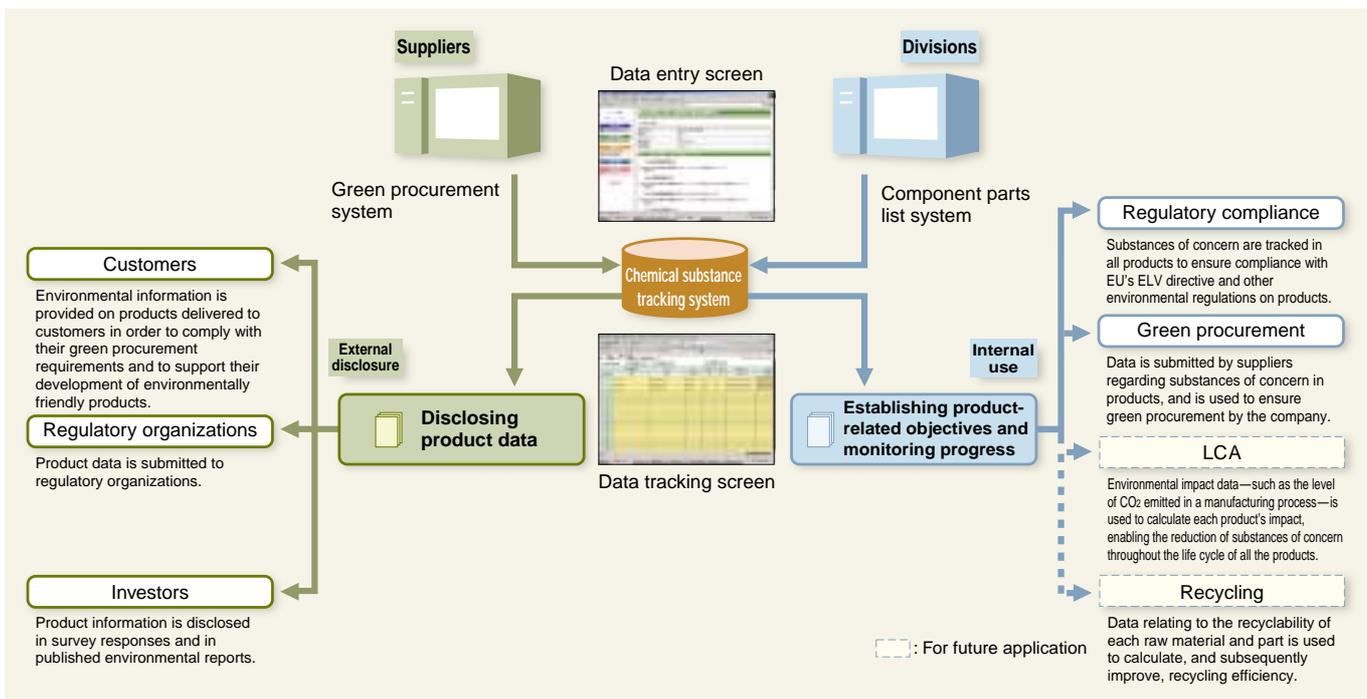
The system helps to ensure that each product complies with the relevant environmental regulations, while also enabling the company to reduce the use of substances of concern in its products by establishing targets and monitoring the process to meet targets. Other advantages of the system include the ability to rapidly retrieve accurate data for submission to the company's customers and other third parties.

The system also contributes to better operating efficiency within the company by allowing data to be shared throughout the company, rather than allowing the data to be managed by individual divisions.

Future Applications

Toyota Industries intends to expand the system's capabilities in the future, such as by adding the ability to track environmental impact data—for example, CO₂ emissions generated during manufacturing and disposal—and enabling the system to track recyclability data. These enhancements will allow the company to accurately and efficiently calculate recycling rates and conduct an LCA for each of its products. The company's overall goal is to create a system that comprehensively tracks all environmental information pertaining to every aspect of product development.

■ Environmental Information System



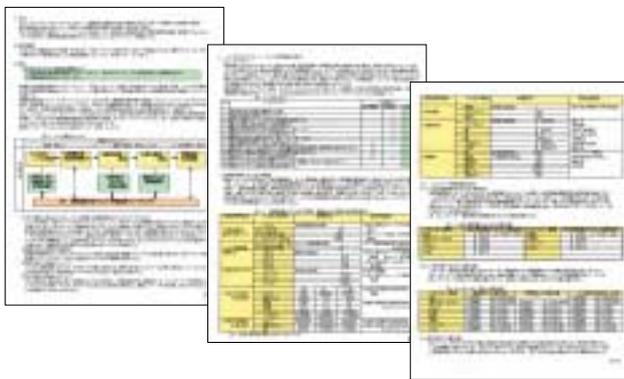
LCA System

Adopting new guidelines to promote the use of the LCA throughout the company

Toyota Industries uses LCAs to determine the environmental impact of its products throughout their entire life cycle, and as a tool for reducing the environmental impact of products. The company is working to perform LCAs for all of its products, based on a new set of in-house guidelines that was established in May 2004.

■ LCA Guidelines

In May 2004, Toyota Industries published a new set of in-house guidelines with the objective of performing LCAs for all of its products. The guidelines are based on previous results of LCAs performed on select products and processes, and contain specific instructions for deriving the environmental impact of a product life cycle and for using the results to reduce the environmental impact of a product. The guidelines will serve as a starting point for expanding the company's application of LCAs, and as part of this effort, the company will utilize its environmental information system to establish specific management items and target values for the initial stage of the product development process.



LCA Guidelines

■ Publicizing Research Results Based on LCAs

In May 2003, Toyota Industries joined other automotive-related firms introducing their newest products and technologies at the Pacifico Yokohama Convention Center in the 2003 JSAE (Society of Automotive Engineers of Japan, Inc.) Automotive Engineering Exposition. During the exposition, Toyota Industries released its research results for an LCA performed on hydraulic fittings that was conducted during FY 2002.



2003 JSAE Automotive Engineering Exposition

Recycling

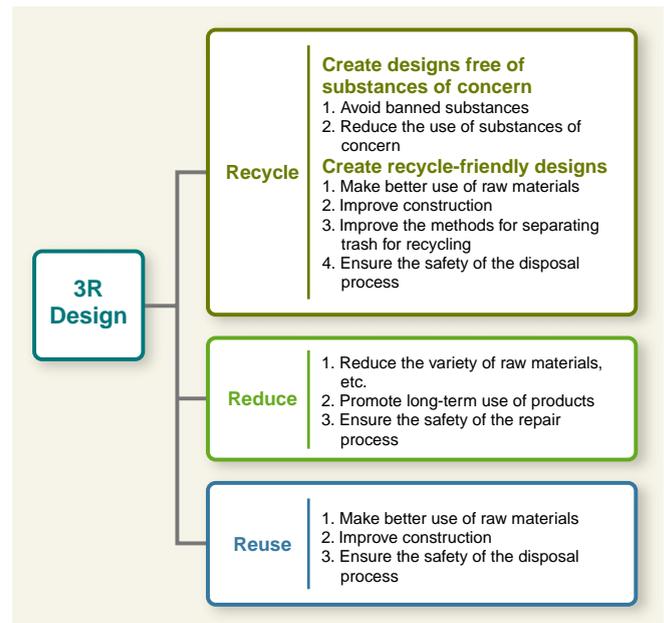
New Toyota Industries 3R Design Guidelines Replace Previous Guidelines

Toyota Industries is firmly committed to applying the 3R concept of "Reduce, Reuse and Recycle" in its product development and design activities in order to contribute to the creation of a recycling-oriented society that efficiently reuses its finite resources.

■ Toyota 3R Design Guidelines

The Toyota 3R Design Guidelines were finalized in April 2004, and now supplant the company's previous guidelines for recyclable designs, which mainly focused on recycling issues. The new guidelines incorporate the 3R concept into the company's product design activities, and include a design checklist for product designers.

■ Major Principles of 3R Design



■ Automotive Wrecking Firms

With Japan's Automobile Recycling Law set to take effect in January 2005, Toyota Industries has continued to conduct field surveys of automotive wrecking firms. These visits enable the company to better grasp how ELVs are being dismantled in the field, and to provide feedback for the company's product development processes. The company visited 11 firms during FY 2003, collecting valuable field data and receiving direct input from the wrecking firms. A report, compiled of the observations made, was utilized to revise in-house technical standards and was relayed to the company's various divisions in order to improve the recyclable designs at the product development stage.

Environmentally Friendly Products

■ Automobile ■

Toyota Industries develops and manufactures engines and car air-conditioning compressors, both major components of automobiles. The company's product development efforts are aimed at addressing the increasingly strict environment regulations placed on automobiles, including the need for improved fuel efficiency, cleaner exhaust gas emissions, and elimination of fluorinated gases.

■ ES18 Electric Compressor ①

The ES18 electric compressor was developed for the air-conditioning system of the latest version of the Prius, and is the world's first mass-produced electric compressor. By using a battery power source, the compressor continues to provide cooling even when the Prius engine is shut off, while idling or when stationary. This feature contributes to the overall comfort of the Prius vehicle. The new compressor is also smaller, lighter, contributes more efficiently to improved fuel efficiency, and produces less vibration.

■ Upper Body for New Toyota Prius ②

The latest version of the Toyota Prius hybrid vehicle, manufactured and sold by Toyota Motors Corporation, utilizes a new upper body developed by Toyota Industries. The upper body is significantly lighter than its predecessor and contributes to improved fuel efficiency, while also meeting the strictest collision safety standards in numerous countries.



■ Electronics ■

Toyota Industries develops electronic products that meet the increasingly diversified needs of the automobile industry, such as DC-DC converters. These products are based on the company's power electronics technology developed for its battery-powered forklift trucks. Toyota Industries is also working on the development of a low-power LCD.

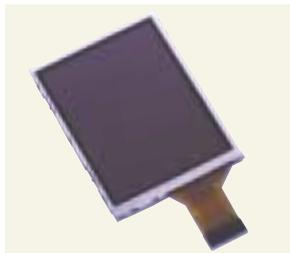
■ Strip Light with Organic Light Emitting Diode (OLED)* Device Technology

In collaboration with the Japan Broadcasting Corporation (NHK), Toyota Industries developed a strip light fixture for film stages that use OLED devices. Compared with conventional fluorescent lighting fixtures, the strip lights consume less power, while eliminating heat generated from the light source.



■ LCD

ST Liquid Crystal Display Corp., an affiliate of Toyota Industries, manufactures high quality, high resolution LCDs for use in video camcorders and other applications. These products offer high reliability and low power consumption.



■ DC-DC Converter (See ③ in illustration above)

Toyota Industries' DC-DC converter, installed in the Prius as a key device of the hybrid car, converts the high voltage current of the main battery to a lower DC current that is supplied to the electric control unit (ECU), stereo, car navigation systems, and other in-car devices.



■ 1.5 kW DC-AC Inverter for Hybrid Vehicles

The DC-AC inverter changes direct current (DC) from the special battery of a hybrid car into an alternating current (AC), allowing for a wider range of high-consumption electrical appliances, such as microwave ovens, to be used in the vehicles.



*OLED: a material that produces direct light emission by impressing a voltage on a thin film comprised of emissive organic compounds, and which has been inserted between two electrodes. OLED displays are expected to lead the way for the next generation of displays.

■ Industrial Equipment ■

Toyota Industries develops and manufactures a full line of forklift trucks ranging in capacity from 0.5 to more than 40 tons, as well as other industrial vehicles such as wheel loaders and tow tractors. The company places an emphasis on improving worker safety and the environmental performance of its industrial vehicles, and is focused on developing engines that produce cleaner emissions and on improving the performance of its electric vehicles.

■ 14Z Engine for 5 to 8-Ton-Capacity Forklift Trucks

Toyota Industries recently introduced a new version of its 14Z direct injection diesel engine used in the company's 5 to 8-ton-capacity forklift trucks. The revised engine meets 2003 exhaust gas regulations for special vehicles in Japan and generates lower NOx, hydrocarbon, and particulate matter emissions.



■ 4SDT

Toyota Industries recently updated its line of 4SDTs, which are typically used for jobs such as snow removal and crop transport. The new products meet the exhaust gas regulations and new noise standards issued by Japan's Ministry of Land, Infrastructure and Transport for construction equipment.



■ Vector C15 Very Narrow Aisle Truck (BT Industries)

In 2003, BT Industries, a subsidiary of Toyota Industries that develops and manufactures warehouse trucks, released a new version of its BT Vector C15 truck model. The updated model features several environmentally friendly enhancements, including an energy saving AC motor and an ultra-efficient energy regeneration system*. The company is also intent on reducing the amount of substances of concern used in the production of the vehicle. For example, capacitors containing hexavalent chromium and cadmium have been phased out from production.



■ Textile Machinery ■

Toyota Industries develops and manufactures weaving and spinning machinery for the textile industry. The company is focusing its environmental efforts on actively incorporating control technology, communication technology, and mechatronics in its textile machinery in order to reduce energy consumption, noise, and vibration in its products.

■ Roving Frame

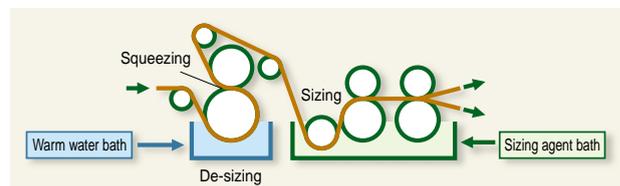
Toyota Industries has reduced its use of lead in its roving frame machinery. Lead was previously used to perform balance adjustments for the high-speed rotating flyer system in roving frame machinery, but is steadily being replaced with a substitute material.



■ Pre-wetting System (Kawamoto System Corporation)

Kawamoto System Corporation, a subsidiary of Toyota Industries, has developed a new sizing machine that offers improved yarn strength and a pre-wetting system for spun yarn. Sizing agent consumption has been reduced by up to 40% by switching to a process in which sizing is performed after exposing the yarn to a warm water bath, which leads to greater uniformity in the sizing agent application. This also reduces the amount of sizing agent removed after weaving, which results in less industrial waste.

■ New Sizing Machine



*The regeneration system efficiently stores energy, from braking, in the vehicle's battery.



Norio Sato
Vice President
Chairman,
Energy Subcommittee

Energy Subcommittee

To prevent global warming—one of the most significant and problematic environmental issues affecting the earth—overall CO₂ emissions must be reduced.

Global warming is a major issue affecting the very existence of humanity. In April 2004, the Japanese government revised the Energy Conservation Law, placing further restrictions on CO₂ emissions. As a global manufacturer, Toyota Industries continues to focus our efforts on incorporating energy conservation strategies into our manufacturing activities. We are careful to ensure that energy conservation techniques are fundamentally incorporated into new manufacturing lines, and we employ a system of checks and follow-up activities to monitor the progress. In addition to switching to cleaner sources of energy, Toyota Industries employs strategies that range from adopting large-scale energy conservation equipment to ensuring that each of our employees contributes in his or her own small way to conserving energy.

Energy Conservation Activities

Working to prevent global warming based on a four-pronged strategy to conserve energy

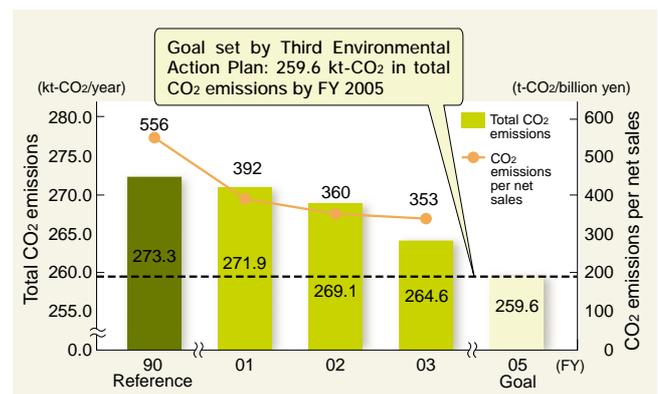
Energy Conservation Policies and Medium-Range Targets

The CO₂ emissions that Toyota Industries generates as a result of energy consumed in its business activities impact the environment in a variety of ways. The company's principal consumers of energy are the casting and other manufacturing plants, but product development and management activities demand their fair share. To address the need to prevent global warming, the company has set a medium-range goal of achieving a 5% reduction in total CO₂ emissions by the end of FY 2005 (based on FY 1990 levels). This goal has been incorporated into the company's Third Environmental Action Plan and forms the basis for the company's efforts to conserve energy. Toyota Industries employs a four-pronged strategy to conserve energy that is based on the principles of (1) reducing energy loss from product processing, (2) improving power supply methods, (3) improving production equipment, and (4) employing equipment compatible with alternative energy sources. These principles help to strengthen the company's management efforts, raise awareness among employees, and ensure that steady progress is made to conserve energy throughout the company.

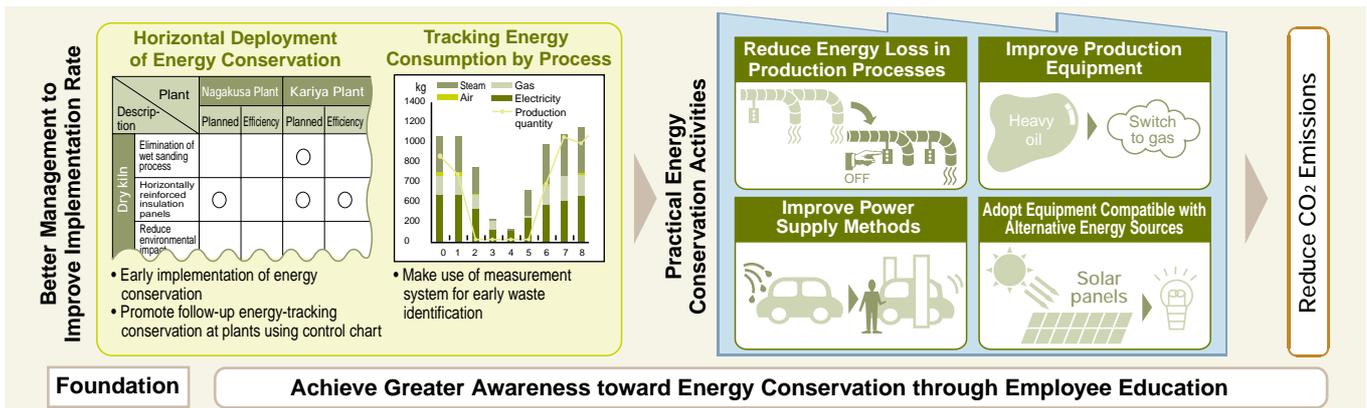
FY 2003 Achievements

For FY 2003, Toyota Industries established a year-end goal of restricting its total CO₂ emissions to 261.7 kt-CO₂, and 374 t-CO₂ per billion yen measured on a net sales basis. The company's efforts were focused on conserving energy in its casting processes, which are a major source of energy consumption. Due to factors such as production increases at various plants and a shift to full-scale production at the Higashiura Plant, the company was unable to achieve its overall CO₂ emissions target, ending the year with total CO₂ emissions of 264.6 kt-CO₂. However, the company's CO₂ emissions on a net sales basis fell to 353 t-CO₂ per billion yen, which was a decrease of 7 t-CO₂ per billion yen compared with FY 2002 levels, and was 37% lower than FY 1990 levels.

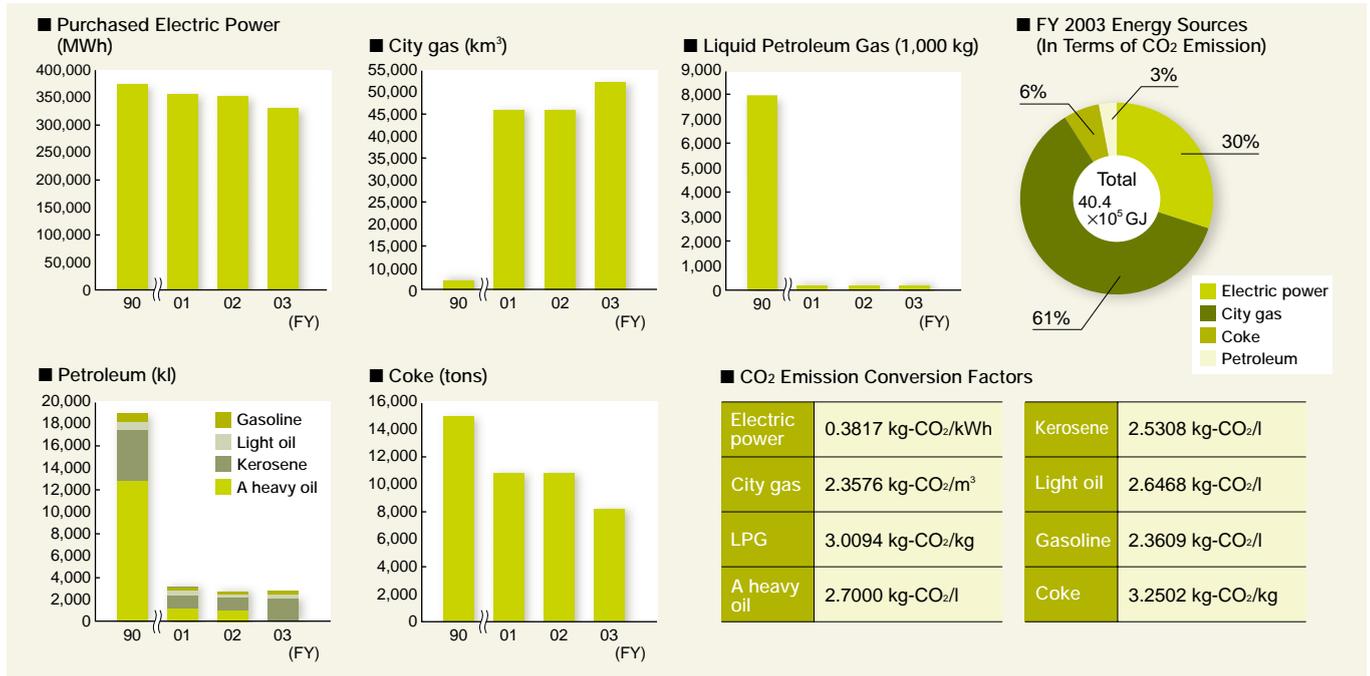
Total CO₂ Emissions and CO₂ Emission Per Net Sales



Energy Conservation Activities from the Perspective of CO₂ Emissions



Energy Consumption



FY 2003 Measures

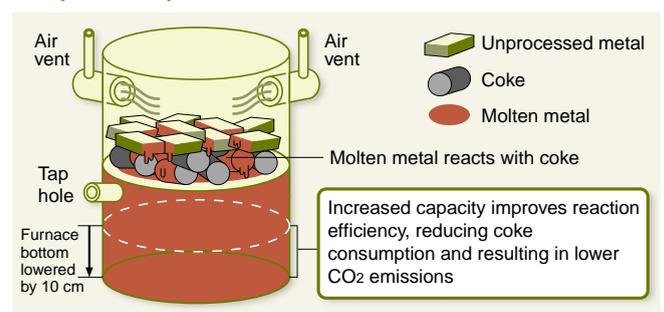
| Description | Efforts | Plant |
|---|---|---|
| Reduce energy loss from product processing | Reduced air leakage using gauging device | Kyowa Plant Case Study D |
| | Improved operation of plant ventilation fans | Higashiura Plant |
| Improve power supply methods | Achieved pressure reduction in air compressors using terminal pressure control | Kariya Plant, Nagakusa Plant |
| | Improved efficiency of air compressor operation | Kariya Plant |
| | Improved boiler operating efficiency | Kariya Plant |
| | Installed variable air compressor device | Hekinan Plant Case Study C |
| Improve production equipment | Switched to sourcing molten metals | Obu Plant Case Study B |
| | Improved cupola reaction efficiency to reduce coke consumption | Higashichita Plant Case Study A |
| | Eliminated a coating step from the manufacturing process for reach truck frames | Takahama Plant |
| Employ equipment compatible with alternative energy sources | Began full operation of cogeneration system | Kyowa Plant |
| | Installed solar power generation equipment | Obu Plant |

Production Equipment Improvements

[Case Study A](#) Improved Cupola Reaction Efficiency Reduces Coke Consumption

Cupola melting furnaces use coke as the fuel to melt unprocessed metal, which results in CO₂ emissions that are in proportion with the amount of molten metal. At the Higashichita Plant, the furnace bottom of each cupola was lowered by 10 cm to increase its holding capacity of molten metal. This raised the melting efficiency of the cupolas, reducing CO₂ emissions by an estimated 1,700 tons annually.

Improved Cupola Mechanism



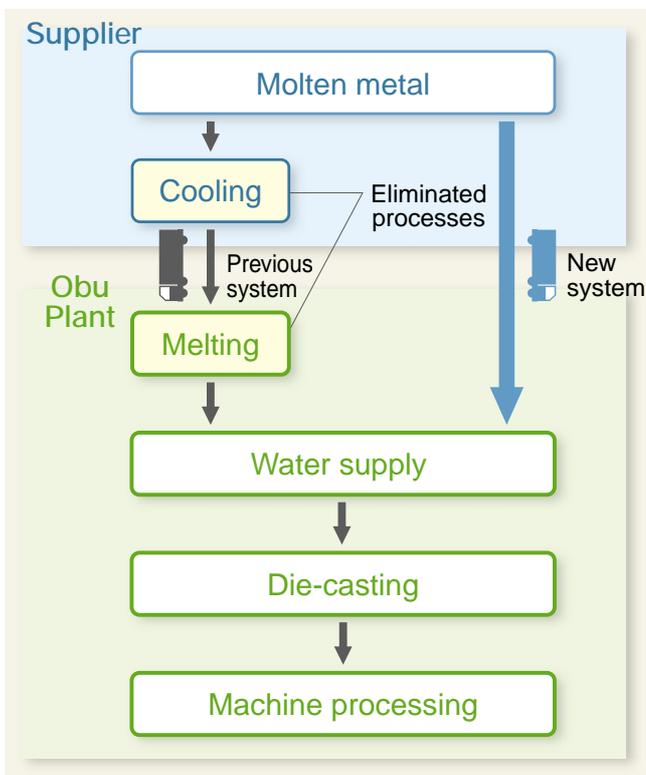
Production Equipment Improvements

Case Study B Sourcing Molten Metal

The die casting process usually utilizes previously melted ingots sourced from a supplier that smelts unprocessed aluminum alloy. Toyota Industries then remelts the ingots for die-casting. In order to reduce energy consumption and CO₂ emissions resulting from the remelting process, the Obu Plant now sources and directly transports molten metal from its suppliers to eliminate the need to remelt ingots.

The Obu Plant carefully ensures that the molten metal is sufficiently insulated and is transported in a manner that is compliant with transport regulations in order to reduce the risk involved in transporting hot molten metals. By making increased use of molten metals sourced from its suppliers, Toyota Industries expects to reduce 5,000 tons of CO₂ emissions annually.

Sourcing Molten Metal

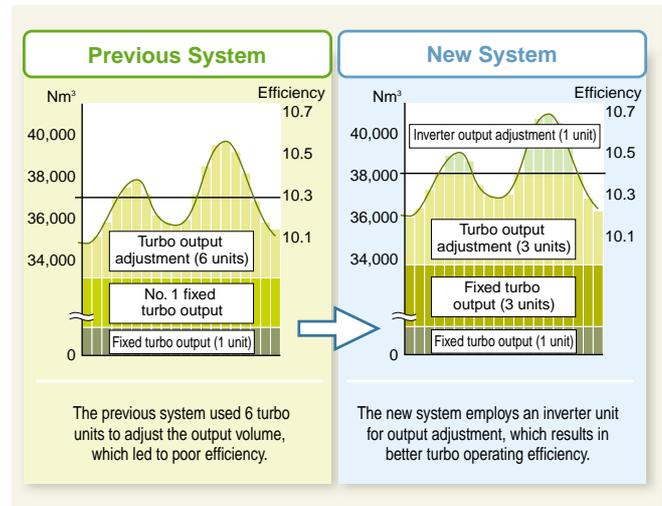


Power Supply Method Improvements

Case Study C Installing Variable Air Compressors

As part of an effort to improve the operating efficiency of its air compressors, the Hekinan Plant upgraded a compressor unit that suffered from poor energy efficiency after 20 years of operation. Previously, the system used six turbo units in order to provide an even compressor-output volume in response to changes in output demand. The plant replaced one of the turbo units with an inverter unit, which led to an improvement in output adjustment efficiency. The change is expected to reduce CO₂ emissions by 220 tons annually.

Changes to Air Compressor Output



Reduced Energy Loss from Manufacturing Processes

Case Study D Gauging Device Used to Reduce Air Leakage

Previously, compressor air leakage was detected by human ear alone during checks conducted on rest days or other occasions when the plant was quiet. Employees at the Kyowa Plant now use a gauging device to efficiently detect the location and amount of even minor air leaks during line operations. This change is expected to reduce CO₂ emissions at the Kyowa Plant by 50 tons annually.



Device for Checking Air Leaks

Future Activities

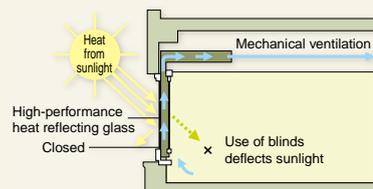
One of the targets of Toyota Industries for FY 2004 is to reduce energy consumption in all production lines newly introduced in FY 2004 by 30% as a foundation for its future energy conservation efforts. The company will also utilize more effectively an energy measurement system that will enable it to better identify energy issues and improve its energy performance. In addition, the company will install new cogeneration systems and equipment compatible with alternative energy sources.

FOCUS Energy Conservation Initiatives by the Obu Plant and Nagakusa Plant

Creating an Office Environment that Makes Efficient Use of Solar Heat and Wind

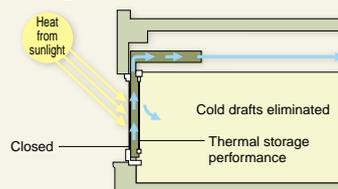
The recently rebuilt Obu Plant incorporates architectural concepts designed to make efficient use of natural resources. Air flow windows that utilize solar heat and wind resources help to reduce the environmental impact of heating, ventilation, and air-conditioning (HVAC) systems.

■ Summer Air Flow

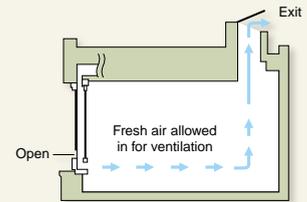


The use of heat reflecting glass and blinds helps to counteract cold air conditioning during the winter and high temperatures during the summer, both of which assist in reducing the environmental impact of office HVAC systems.

■ Winter Air Flow



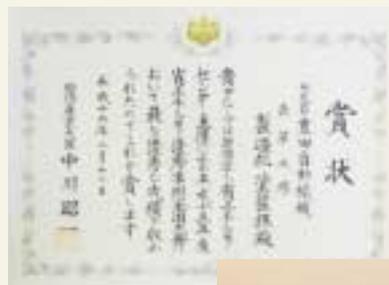
■ Evening Ventilation



Letting in fresh air at night helps to cool the building and lowers the environmental impact from running HVAC systems.

Nagakusa Plant Recognized for Outstanding Energy Conservation Performance

The Nagakusa Plant, which manufactures automobiles, was recently recognized for its creative improvements and outstanding energy conservation performance with the 2003 Economy, Trade and Industry Minister's Award. The plant was selected for its successful efforts in eliminating one step in the car wash processes from the plant's vehicle painting process. By eliminating this step, the plant significantly reduced the water consumption and energy needs ordinarily used in the washing and drying of vehicles. This achievement was covered in detail on p.28 of Environmental Report 2003.



Economy, Trade and Industry Minister's Award and Award Ceremony

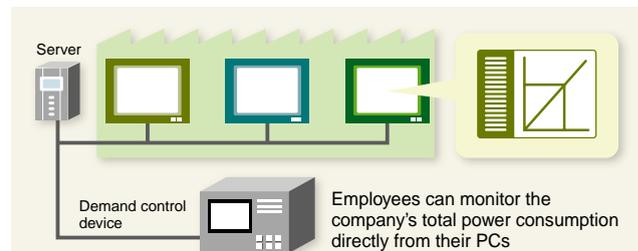


Subsidiary Spotlight

Hara Corporation Adopts Demand Control Device to Conserve Energy

Hara Corporation, a subsidiary of Toyota Industries that manufactures textile machinery, has increased the environmental awareness of its employees, and has been conducting routine control checks for energy efficiency. As part of this effort, the company has adopted the use of demand control devices that enable its employees to monitor the company's power consumption status from their PCs. The company's use of demand control devices has led to increased awareness of the need for environmental conservation among the company's employees, while helping to eliminate unnecessary operation of HVAC systems. The resulting energy savings are expected to reduce the company's CO₂ emissions by 60 t-CO₂ annually.

■ Operation of Demand Control Device



The demand control device is set to 18°C in the winter and 28°C in the summer. HVAC systems automatically shut off at 10 AM and when winter temperatures exceed 18°C.



Shiro Endo
Senior Managing Director
Chairman,
Pollution Prevention
Subcommittee

Pollution Prevention Subcommittee

Aiming for sustainable growth and coexistence with the global environment

During FY 2003, numerous changes were made to Japan's environmental regulations, including the addition of the Chemical Substance Law* and the Water Pollution Control Law. The Japanese government also entered into the final phase of studies aimed at introducing restrictions on VOCs as part of future changes to the Air Pollution Control Law. In Europe, the EU's ELV directive took effect during FY 2003 with further regulations on chemical substances expected to be introduced in the future. The increasingly strict regulatory environment means that Toyota Industries must further reduce our environmental risks and practice regulatory compliance to achieve sustainable growth, while reducing our environmental impact on both a company-wide and group-wide level.

Managing Chemical Substances and Reducing Substances of Concern

Taking positive steps to achieve the targets established by the Third Environmental Action Plan

Medium-Range Goals and Major Objectives

Toyota Industries' Third Environmental Action Plan has set a medium-range goal of achieving a 50% reduction, compared with FY 1998 levels, in total emissions of PRTR-designated substances and VOCs by FY 2005. Toyota Industries is steadily working to meet this target and is voluntarily reducing its emissions of greenhouse gases such as fluorinated gases and other substances of concern.

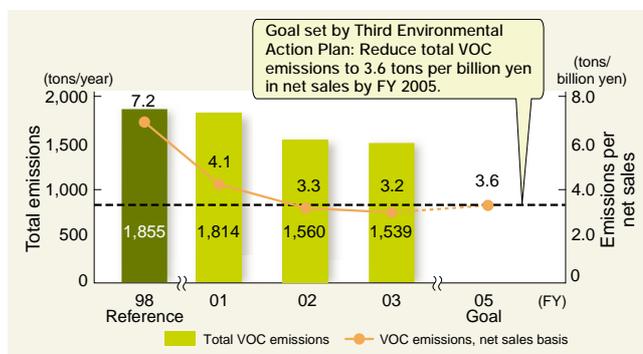
FY 2003 Achievements

Toyota Industries increasingly switched to powder coating processes during FY 2003 in an effort to reduce emissions of VOCs and other substances of concern. The company's VOC emissions on a net sales basis stood at 3.3 tons per billion yen, which was a reduction of 54.6% from FY 1998 levels. This figure surpassed its medium-range goal of 3.6 tons per billion yen in net sales. Emission levels of the PRTR-designated substances toluene and xylene both fell due to the company's efforts to reduce VOCs. Total emissions of PRTR-designated substances stood at 6,853 tons, which was down 46.0% from FY 1998 levels.

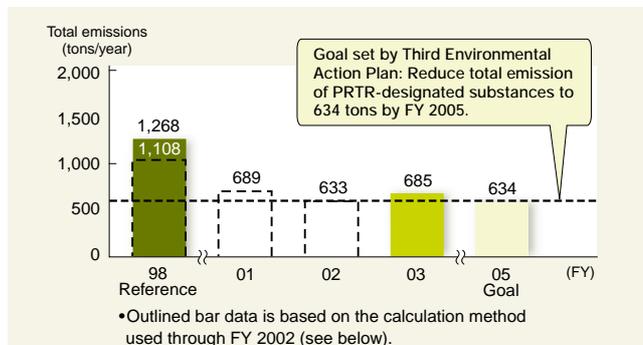
Toyota Industries also improved its management of chemical substances and established the Ecology Material Investigation System (EMIS) in collaboration with Hitachi, Ltd.

* Chemical Substance Law: officially known as the Law Concerning the Examination and Regulation of Manufacturers, Etc. of Chemical Substances.

Total VOC Emissions and VOC Emissions per Net Sales



Total Emissions of PRTR-Designated Substances



Revised Method for Calculating Emissions of PRTR-Designated Substances

Starting from FY 2003, Toyota Industries has changed its method for calculating emissions of PRTR-designated substances in order to improve its risk management. In the above graph, the solid bars for FY 1998 and FY 2003 are based on the revised calculation method. The data for FY 2001 and FY 2002 is based on the previous calculation method.

Basic formulas:

Total emissions of PRTR-designated substances = (volume of PRTR-designated substances used) x (emissions coefficient)

Volume of PRTR-designated substances used = (volume of products used that contain PRTR-designated substances) x [PRTR-designated substance content (%)]

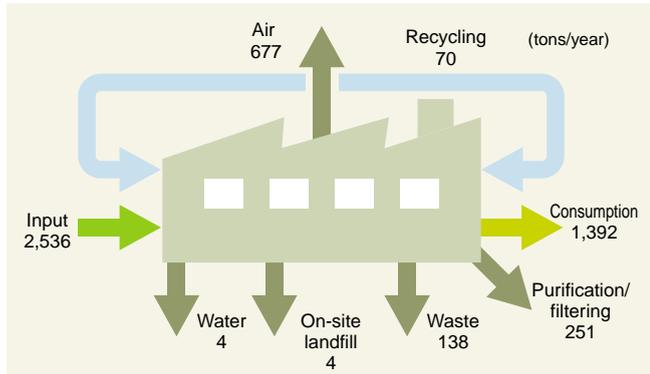
• The percentage of PRTR-designated substance content is now based on the maximum value from the supplier and not the mean average value.

Example: Supplier submits data indicating 10-20% toluene content

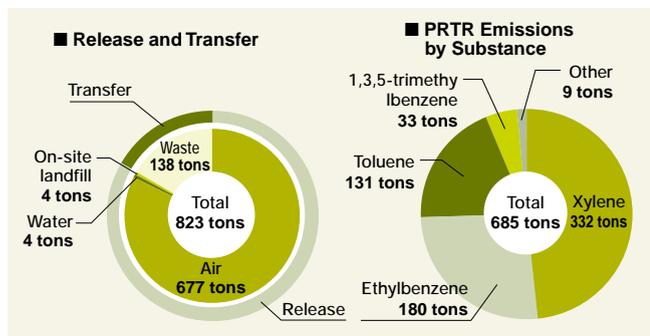
Previous method: Toluene content set at 15%

Revised method: Toluene content set at 20%

FY 2003 PRTR-Designated Substance Mass Balance



FY 2003 PRTR-Designated Substance Release and Transfer



FY 2003 Measures

| Description | Efforts | Plant |
|---|--|----------------------------------|
| Reduce VOCs | Switched to powder coating processes | Kariya Case Study A |
| | Reduced paint thinner consumption Improved thinner recovery rates | Nagakusa |
| Reduce fluorinated gases | Installed fluorine recovery units | Kariya Case Study B |
| | Performed routine monitoring of fluorine recovery levels | Kariya |
| Reduce other chemical substances besides VOCs and fluorinated gases | Switched to non-organochlorine cutting oils | All plants Case Study C |
| Promote chemical substances management | Managed polychlorinated biphenyl (PCB) storage sheds | Company-wide Case Study D |
| | EMIS | Company-wide Case Study E |

Case Study A Switching to Powder Coating to Reduce VOCs

The Textile Machinery Division of the Kariya Plant has switched to powder coating of components used in water-jet looms*1 in order to replace the use of solvent-based paints. In the future, the plant will expand its use of powder coating to other textile machinery such as air-jet looms*2 and spinning machinery*3, with the eventual goal of achieving zero emissions of VOCs.

*1 Water-jet loom: a weaving machine that inserts weft yarn using water.

*2 Air-jet loom: a weaving machine that inserts weft yarn using air.

*3 Spinning machinery: a machine that spins cotton fibers into yarn.

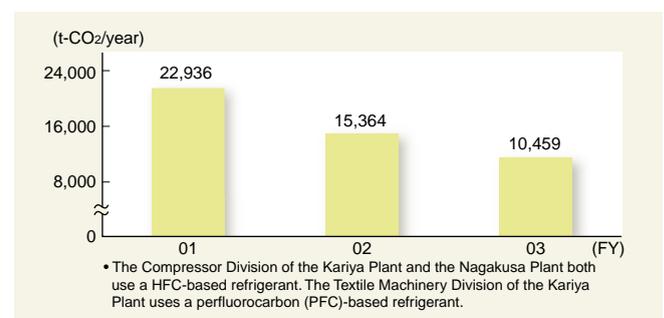


Water-Jet Loom

Case Study B Installing Fluorine Recovery Units

Toyota Industries is striving to reduce its emissions of the alternative refrigerant HFC-134a, a hydrofluorocarbon (HFC)-based substance that is said to contribute to global warming. The company uses HFC-134a to develop car air-conditioning compressors and for its vehicle assembly processes. During FY 2003, the Kariya Plant installed fluorine recovery units and began routine monitoring of fluorine recovery levels. Recovered fluorine is now either destroyed by a third-party processing firm, as in the case of the Kariya Plant, or is reused in assembly processes, as done by the Nagakusa Plant.

Fluorine-Based CO₂ Emissions (t-CO₂/year)



Case Study C Switching to Non-Organochlorine Cutting Oils

Some cutting oils may contain organochlorine compounds, which improve cutting performance. However, the waste oil that results from using these products can release air pollutants such as dioxins and hydrogen chloride during incineration by waste processing firms.

Toyota Industries has largely eliminated its use of organochlorine-based cutting oils. By March 2004, the company replaced over 90% of its organochlorine-based cutting oils with environmentally safer alternatives.

Case Study D PCB Storage Management

PCBs were previously used to insulate transformers and condensers until they were banned in 1976 due to their toxicity. Toyota Industries oversees the management of 892 storage sheds containing PCBs. The company regularly files reports on the status of its PCB management with government authorities. Every precaution is taken to ensure that PCBs are not released or allowed to leach into the soil.



PCB Storage Shed

Case Study E EMIS

Toyota Industries recently established the EMIS, a comprehensive system that combines database and workflow functions for improved chemical substance management.

Previously, the company did not have a system to store and manage environmentally related data, which ranges from chemical substance content data for raw materials and indirect materials used in manufacturing processes to MSDS* data and assessments of applicable environmental regulations. Thus, each piece of data had to be managed and saved separately—this was carried out by the BS Safety, Health and Environment Department. The EMIS database system, however, has since enabled the

centralization of data management, and has brought with it the added advantages of improved data management, better tracking of substances of concern, and improved ease of data calculation and retrieval.

The EMIS system also integrates workflow functions, which include the ability to conduct prior environmental assessments. These features have improved the company's workflow and management tasks while contributing to reduced paper consumption.

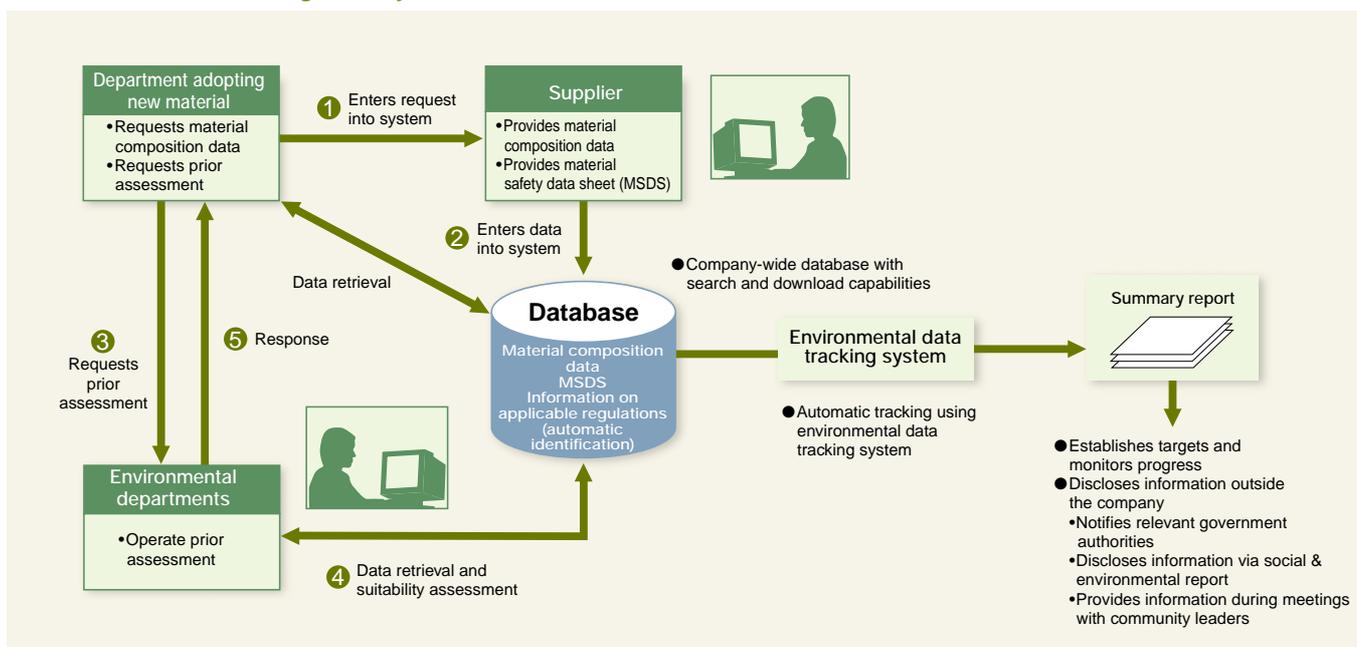
Features of EMIS System

- Database functions
Centralized database containing environment, safety, and health-related data
- Workflow (electronic decision making) functions
Improved workflow and reduced paper consumption

Future Activities

Future activities will focus on further reducing environmental risks and substances of concern as well as working to achieve the targets set forth by the Third Environmental Action Plan. Concrete measures will include the expanded use of powder coating by the Textile Machinery Division of the Kariya Plant and conversion to the use of water-based paints by the Vehicle Division of the Nagakusa Plant.

Chemical Substance Management System



*MSDS: a data sheet listing the chemical substances contained in raw materials and indirect materials used in a product.

Regional Environment Conservation

Gaining the trust of the community by conducting business in the manner of a good corporate citizen

Toyota Industries is shouldering the responsibility of contributing to environmental conservation and reducing its impact on the surrounding regional environment. The company has established voluntary targets and is ensuring that its product development and manufacturing activities take into consideration the environment.

Setting Voluntary Environmental Targets

Toyota Industries uses voluntary environmental targets that exceed both regulatory standards and community guidelines in their strictness. In FY 2003, the company's voluntary targets were expanded to cover noise and vibration pollution, in addition to existing voluntary targets for air pollution.

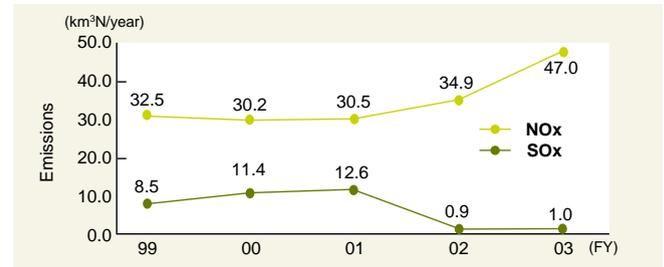
Reducing Air and Water Pollution

Toyota Industries is reducing its emissions of air pollutants such as SOx, NOx, and soot through equipment upgrades and other efforts to reduce pollution at the source.

Water pollution is being addressed in various ways, including the installation of continuous-measurement devices to better monitor nitrogen and phosphorus levels in water. Eutrophication* in the Ise Bay is specifically being

addressed through stricter water quality management and upgrades of the wastewater treatment facilities of the nearby Kariya and Obu Plants.

SOx and NOx Emissions



COD, Nitrogen, and Phosphorus in Wastewater



Preventing Noise and Vibration Pollution

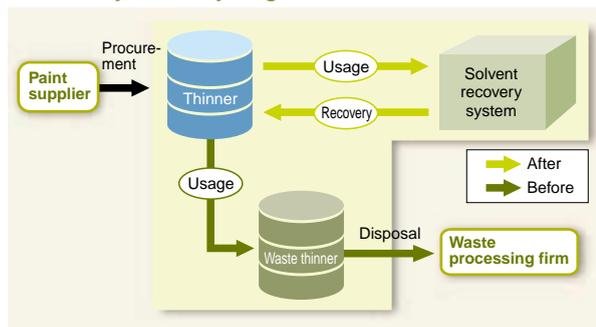
Noise pollution and vibration pollution are interrelated and can be emitted both inside and outside the plants. Toyota Industries works to identify noise and vibration sources with an emphasis on plants located close to residential areas. Specific measures include installing soundproof walls and enclosures and enforcing restrictions on the speed with which vehicles are operated within plant boundaries.

Subsidiary Spotlight

Reducing VOC Emissions at Aichi Corporation

Aichi Corporation, which manufactures and sells truck-mounted work platforms, installed in March 2004 a solvent recycling system to automatically recover, distill, and cool thinner used in painting processes. The new system will enable the company to recycle 85% of its thinner consumption, which will save 8,000 liters of

Recovery and Recycling of Waste Thinner



thinner annually. In addition to reducing VOC emissions, the system will enable the company to achieve zero emissions of flammable waste liquid, which otherwise requires special management under Japanese regulations.

Reducing VOC Emissions at Toyota Industrial Equipment Mfg., Inc.

Europe and the United States are leading the way for stricter regulations on air pollution. U.S.-based companies like Toyota Industrial Equipment Mfg., Inc., which manufactures forklift trucks, are taking steps to reduce their emission of VOCs and other air pollutants. During FY 2003, the company replaced four painting robots with more efficient models and installed two powder coating systems that enabled the company to switch to paints with a lower environmental impact. The company's consumption of air polluting substances dropped from 3.8 kg per forklift truck manufactured in 1995 to 0.1 kg per forklift truck manufactured in 2003.

* Eutrophication: release of substances containing nitrogen and phosphorus into lakes and rivers from household wastewater and industrial wastewater, leading to the multiplication of plankton and microbes that affect water quality.



Shinjiro Kamimura
Senior Managing Director
Chairman,
Resource Utilization
Subcommittee

Resource Utilization Subcommittee

In order to conserve natural resources, Toyota Industries will reduce wasteful consumption by implementing a more efficient manufacturing process

Toyota Industries is challenging the widespread assumption that mass production and mass consumption lead to mass disposal through the recycling and reuse of waste materials. We are also addressing the need to better utilize finite resources and properly dispose of spent resources in a way that does not contribute to global warming, air pollution, and other forms of environmental impact.

As we near our goal of zero landfill waste*1, Toyota Industries is now focusing on resource productivity enhancement by reviewing and changing our manufacturing practices. This marks a departure from our previous emphasis on recycling of spent resources.

Reducing Industrial Waste

Nearing the goal of zero landfill waste

Medium-Range Goals and Major Objectives

Toyota Industries has established the goal of achieving zero landfill waste, while its Third Environmental Action Plan has set the goals of zero direct landfill waste*2 at each of its plants by the end of FY 2003, and zero indirect landfill waste*3 by FY 2005. In addition to working toward these accomplishments, the company is considering measures that will further reduce waste generation by improving productivity and minimizing resource loss.

FY 2003 Achievements

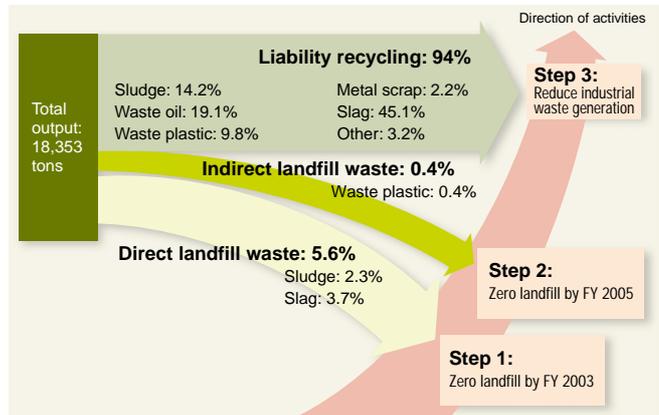
The company's major focus for FY 2003 was on better utilizing industrial waste generated from its casting processes. During the year, the company generated 18,368 tons of industrial waste*4 and was able to recycle 17,196 tons of it for a 94% recycling rate*5, surpassing the previous year's performance.

The company generated 1,097 tons of direct landfill waste, which fell short of the FY 2003 target of 340 tons. However, the company's progress through FY 2003 indicates that the target of zero direct landfill waste is within reach. Indirect landfill waste fell to 74 tons, partly as a result of efforts to recycle ash generated from the incineration of plastic waste. The company thus reached its zero indirect landfill waste target ahead of schedule.

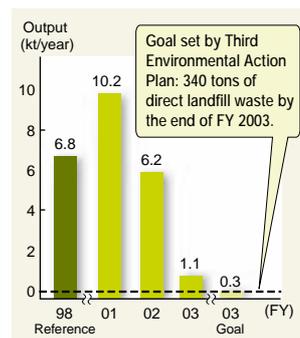
Industrial Waste



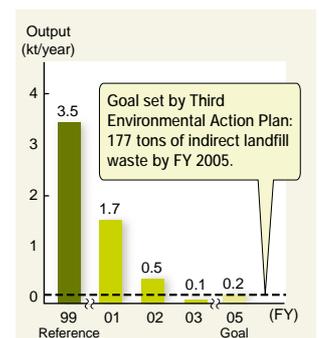
Breakdown of Industrial Waste in FY 2003



Direct Landfill Waste



Indirect Landfill Waste



*1 Zero landfill waste: defined by Toyota Industries as a 95% or greater reduction in direct landfill waste compared with FY 1998 levels, and a 95% or greater reduction in indirect landfill waste compared with FY 1999 levels.
 *2 Direct landfill waste: industrial waste that is directly disposed in landfills without intermediate treatment such as crushing or incineration.
 *3 Indirect landfill waste: industrial waste that is subjected to intermediate processing, such as crushing or incineration, before being disposed in landfills.
 *4 Industrial waste: all industrial waste including direct landfill waste, indirect landfill waste, and recycled waste.
 *5 Recycling rate: ratio of industrial waste that is recycled.
 *6 Deoxidizer: a reducing agent used to remove oxygen during casting.

FY 2003 Measures

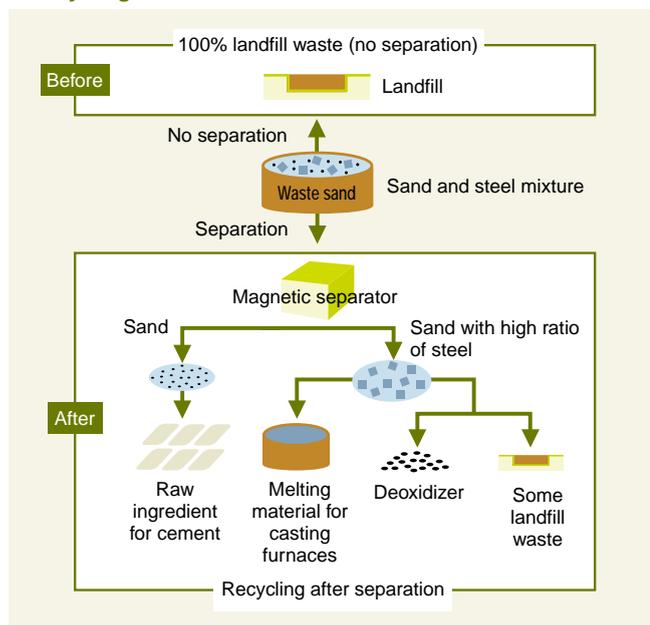
| Description | Efforts | Plant |
|--------------------------------------|--|-------------------------------------|
| Reduction of direct landfill waste | Installed magnetic separators to recycle waste sand | Higashichita Case Study A |
| | Decommissioned older wastewater treatment facilities to reduce sludge dewatering pollution | Obu |
| Reduction of indirect landfill waste | Reused waste plastic as a combustion improver and reducing agent, reducing waste after incineration; recycled burned ash from incineration | All plants |
| Reduction of industrial waste | Reused cutting scraps | Hekinan Case Study B |
| | Installed sludge dryers for wastewater treatment facilities; decreased wastewater sludge output by reducing coagulant usage | Kariya, Takahama |
| | Installed compressors designed to prevent waste oil resulting from hydraulic oil consumption | Higashichita |
| | Installed concentrators and revised specifications to reduce waste oil | Kariya |
| | Reused plastic waste through better sorting of waste | Nagakusa |

Case Study A Installing Magnetic Separators to Reduce Waste Sand

The slag produced from casting performed at the Higashichita Plant accounts for the majority of direct landfill waste generated by Toyota Industries. In order to address the need to recycle waste sand, which is largely composed of sand with a high ratio of steel, the plant installed magnetic separators. This enables the plant to recycle the separated sand as a raw ingredient for cement.

The collected sand with a high ratio of steel is then recycled by mixing them with scraps generated from the machining of casting parts. The resulting mixture is compressed and recycled for use as a melting material. Due to the plant's limited demand for melting materials, the remaining separated steel particles are recycled as a deoxidizer*6 by other companies. The amount of waste sand destined for landfill waste is now less than 10% of previous levels.

Recycling Waste Sand



Case Study B Reusing Cutting Scraps

The cutting scraps generated from the grinding processes at the Hekinan Plant were previously treated as industrial waste. However, observing the high percentage of steel content in its cutting scraps, the plant came up with the solution to recycle the scraps for use by external companies as raw material for steel. The plant has since installed compaction units to compress and solidify the cutting scraps for resale to other companies. This measure has enabled the plant to resell 240 tons of cutting scraps annually.

Future Activities

Toyota Industries has every intention of further improving its management and processing of landfill waste. The company is also considering the adoption of resource-productivity concepts as a tool for managing and reducing industrial waste.

Reducing Water Consumption

Using rainwater and reducing cleaning time of industrial water filtration equipment to reduce consumption levels

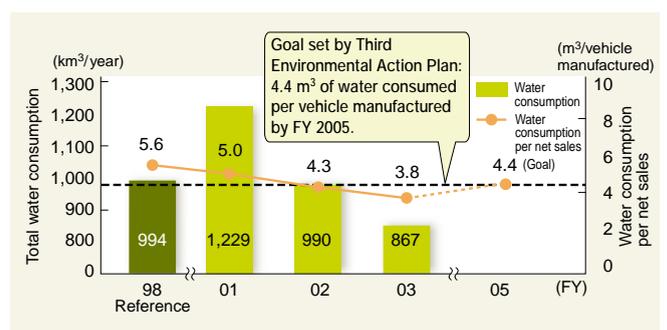
Medium-Range Goals and Major Objectives

Toyota Industries recognizes the importance of water as a natural resource and has made it an objective to reduce the company's water consumption. The Third Environmental Action Plan has set a FY 2005 goal of achieving a 20% reduction in water consumed per vehicle manufactured, compared with FY 1995 levels. In addition, plants, other than the one in automotive manufacturing, are currently applying themselves to the management and reduction of overall water consumption levels.

FY 2003 Achievements

Major achievements in FY 2003 include the further elimination of washing processes from vehicle manufacturing lines. The company's water consumption during FY 2003 stood at 3.8 m³ per vehicle manufactured, which surpassed the medium-range goal of 4.4 m³.

Total Water Consumption and Water Consumption per Vehicle Manufactured



FY 2003 Measures

| Efforts | Plant |
|---|------------------------------------|
| Changed coolant replacement cycle to save water | Kariya |
| Reduced cleaning times of industrial water filtration equipment | Kariya, Obu Case Study A |
| Eliminated vehicle washing processes | Nagakusa |
| Redirected and reused overflow water from cooling towers | Hekinan |
| Used rainwater for toilet sanitation | Higashiura |

Case Study A Reduced Cleaning Times of Industrial Water Filtration Equipment

The Kariya Plant uses filtration equipment to remove steel deposits from industrial water. Although this equipment requires regular cleaning to remove the deposits, the plant determined that its cleaning times could be shortened by one third without impacting the filtration performance. This prompted the plant to change its equipment operating standards, resulting in 34.8 km³ of water being saved annually.

Future Activities

Toyota Industries is looking at ways to reduce the consumption of dilution water by extending the useable life of cutting fluids and reuse purified groundwater. The company will seek to better distribute information on conservation measures taken by the company's plants in order to enable other plants to implement the same measures.

Reducing CO₂ Emissions from Logistics Operations

Maximizing cargo loads, improving transport routes, and switching to alternative transport methods

Medium-Range Goals and Major Objectives

Logistics operations have an undeniable impact on the environment and can contribute to global warming and air pollution through emissions of substances of concern. The Third Environmental Action Plan has set a FY 2005 goal of reducing the company's total CO₂ emissions from transport operations to within FY 1990 levels.

FY 2003 Achievements

Toyota Industries improved the efficiency of its land-based transport operations by combining its shipments with those of other companies, optimizing its shipping routes to reduce trips, and maximizing its cargo loads. Alternative transport methods such as rail and ship transport are also being increasingly used. These changes enabled the company to reduce its total CO₂ emissions to 6,278 tons, which surpassed the medium-range goal.

Subsidiary Spotlight

ST Liquid Crystal Display Corp.*1

■ Reducing Waste Liquid

ST Liquid Crystal Display Corp. generates acid waste and alkali waste from its manufacturing activities. Previously, the company used a third-party processing firm to process its acetone and isopropyl alcohol*2 waste. However, this waste is now completely reused as a source of nutrition for the bio-treatment of water conducted by the company's wastewater treatment facilities. This change has reduced the company's output of waste fluid by 2.4 tons annually, while reducing the consumption of

■ Measures to Reduce Waste Liquid

| Phase | Processing | Efforts |
|---|-------------|--|
| 1. Reuse as pure liquids | In-house | <ul style="list-style-type: none"> Changed to different chemicals Improved separation and recovery of impurities Identified solution of reusing waste liquid based on its characteristics (Seeking improvements for each phase) |
| 2. Use for separate manufacturing processes | | |
| 3. Treat wastewater | | |
| 4. Process industrial waste | Third party | |

methanol that was previously needed for use as a biological nutrient.

■ Water Conservation

The manufacturing of precision LCDs requires the use of vacuum pumps to supply pure water, whereupon it must undergo a further purification process before it can be used in manufacturing. Starting from FY 2003, the company began reusing the vacuum pump cooling water for other cooling tanks and boilers. This measure enabled the company to save 50 km³ of water annually.

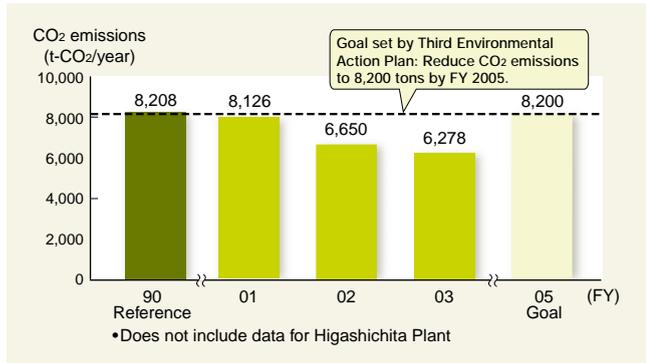
Michigan Automotive Compressor, Inc.

Michigan Automotive Compressor, Inc., uses coagulants to purify contaminated water at its wastewater treatment facilities. The sludge that results from this process is dewatered and treated as industrial waste. The company has discovered that the residual active coagulants from the sludge before dewatering can be reused in the coagulation process. This additional step has significantly reduced the company's overall consumption of coagulants. In addition, the company now uses multiple dewatering processes for better efficiency and reduced sludge output.

*1. ST Liquid Crystal Display Corp. is not a consolidated subsidiary but is accounted as an affiliate by the equity method.

*2. Isopropyl alcohol: a clear, colorless liquid that is mixed with water or ethanol for use as a paint solvent or industrial solvent.

CO₂ Emissions from Logistics Operations



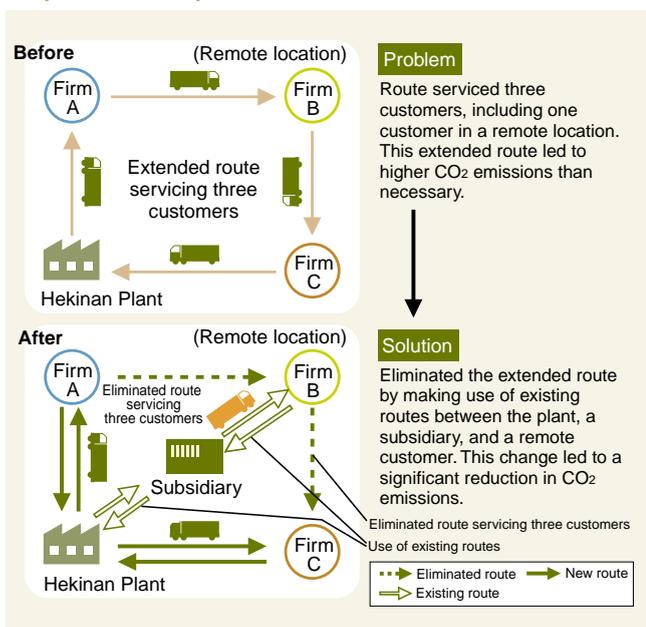
FY 2003 Measures

| Efforts | Plant |
|---|--------------------------------|
| Optimized transport routes | All plants Case Study A |
| Combined shipments with other companies | All plants |
| Maximized cargo loads | All plants Case Study B |
| Switched from truck to ship transport | Takahama |
| Expanded use of ship and rail transport | Takahama Case Study C |

Case Study A Optimizing Transport Routes

The Hekinan Plant uses trucks to deliver engines to its customers. Previously, the company used a daily trucking route that incorporated deliveries to three customers, including one customer in a remote location. The plant has since replaced this trucking route with two shorter ones by utilizing existing shipping routes between the plant, a Toyota Industries subsidiary, and its remote customer. This change reduced the plant's CO₂ emissions by 32.4 tons annually.

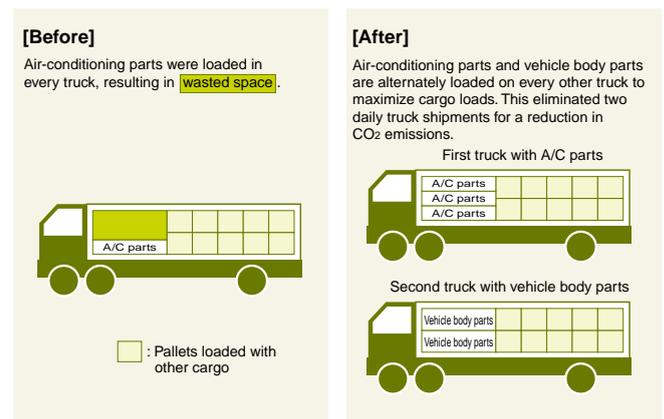
Optimized Transport Route



Case Study B Maximizing Cargo Loads

The Nagakusa Plant, which assembles vehicles, previously shipped air-conditioning parts in 30 daily truck shipments. In order to eliminate wasted cargo space, the plant decided to alternately ship air-conditioning parts and body parts in every other truck for better cargo loading efficiency. This measure enabled the plant to eliminate two of its daily truck shipments, which is expected to reduce the plant's CO₂ emissions by 14.4 tons annually.

Better Cargo Management



Case Study C Expanding use of ship and rail transport

Truck transport is generally considered to produce CO₂ emissions that exceed ship transport and rail transport in that order. Toyota Industries is switching to ship and rail transport in order to deliver forklift trucks to remote customers in areas such as Hokkaido and Kyushu. These measures have reduced the company's CO₂ emissions by 7.2 tons annually.

Future Activities

Future efforts will concentrate on further combining the company's shipments with those of other companies and making increased use of alternative transport methods.

Reducing Packaging

Switching to packaging methods that reduce waste

Medium-Range Goals and Major Objectives

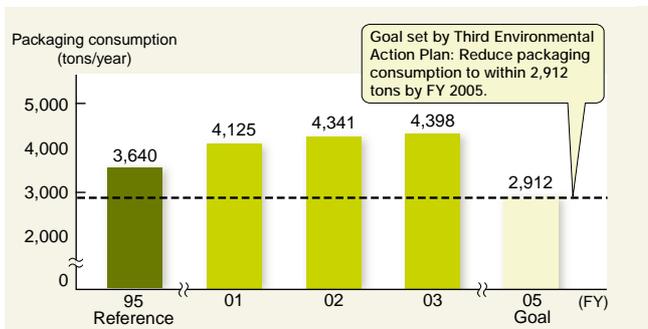
Toyota Industries is reducing its use of packaging materials as part of an effort to conserve resources. The company's Third Environmental Action Plan has set a target of achieving a 20% reduction in packaging consumption by FY 2005, compared with FY 1995 levels.

Production

FY 2003 Achievements

Toyota Industries consumed 4,398 tons of packaging materials in FY 2003, which continued a trend toward increased packaging consumption by the company. Improvements in packaging methods and the expanded use of returnable containers were offset by production increases. These increases were significantly higher, including a notable increase in textile machinery production. Based on future production forecasts, the company will fall short of its medium-range goal of reducing packaging consumption to within 2,912 tons annually. Looking forward, Toyota Industries will continue to implement measures aimed at reducing its overall packaging consumption. The company will also establish new targets on a net sales basis in order to better grasp its progress.

■ Packaging Consumption



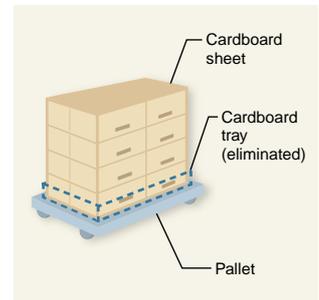
FY 2003 Measures

| Efforts | Plant |
|---|---|
| Improved part packaging method to save material | Kariya (Textile Machinery Division) |
| Changed packaging method to save cardboard | Kariya Case Study A (Compressor Division) |
| Expanded service area for returnable containers to other parts of Japan | Takahama Case Study B (TOYOTA Material Handling Company) |

Case Study A Changing Packaging Methods to Save Cardboard

The Compressor Division of the Kariya Plant exports compressors and parts using reinforced cardboard packaging. Previously, the company used a cardboard tray between pallets and boxes. By forgoing the use of this tray, the plant is expected to save six tons of cardboard annually.

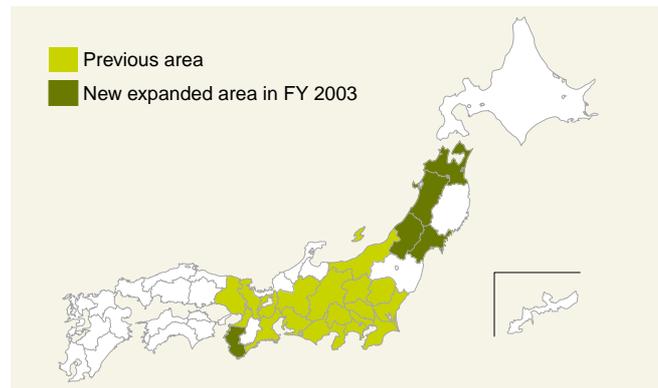
■ Streamlined Packaging



Case Study B Returnable Container Use

Since FY 2002, the Takahama Plant has gradually replaced its use of cardboard packaging, for service parts, with returnable containers that are collapsible. In FY 2003, the plant expanded the availability of this service to include five additional prefectures. This has saved 2.1 tons of packaging materials annually.

■ Areas Covered by Returnable Container Service



Future Activities

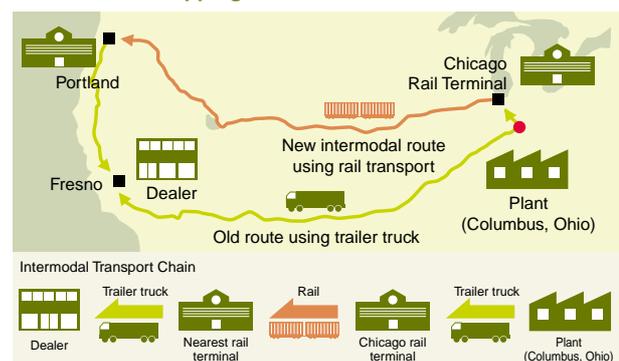
Toyota Industries will continue to streamline its packaging methods to reduce waste and will consider establishing a collection program to recycle waste packaging materials.

Subsidiary Spotlight

Toyota Material Handling USA, Inc. Switching to Intermodal Transport*

Toyota Material Handling USA, Inc., which markets forklift trucks in the United States, has switched to intermodal transport for its westbound shipments of forklift trucks. Previously, westbound shipments were transported solely by truck. The company now delivers its products to a rail terminal for transport on westbound rail routes. Upon reaching the rail destination, the forklift trucks are unloaded and delivered to dealers and customers by trailer truck. The use of intermodal transport effectively reduced the company's CO₂ emissions from truck transport.

■ Intermodal Shipping to West Coast



*Intermodal transport: movement of goods using more than one means of transport, such as truck and rail transport, for optimal efficiency.

Good Corporate Citizenship

Toyota Industries affects the lives of many individuals through each of its activities and has a responsibility to act as a good corporate citizen. In addition to supplying quality products to satisfy its customers, the company has an obligation to consider the environment in its pursuit of revenue growth and to provide a vibrant working environment for its employees.

This chapter focuses on the efforts of Toyota Industries to promote good corporate citizenship with respect to its customers, the community, and its employees. See the “Subsidiary Spotlight” boxes for highlights of efforts taking place at its subsidiaries.



Quality Assurance in Relation to the Customer

Implementing strict quality control based on the philosophy that quality is the lifeline of the company

Sakichi Toyoda once commented that “a product should never be sold if it has not been carefully manufactured and tested thoroughly with satisfactory results.” The spirit of such comments as these continues to flourish within Toyota Industries, where quality is viewed as the lifeline of the company and receives the utmost priority as a management task.

Toyota Industries' quality assurance system is based on a market-in approach to customer satisfaction that originated when the company received the Deming Prize in 1986 for quality control implementation. With this approach, the company seeks to identify the needs of the customer and implements a nine-step design review process that covers everything from product planning to customer satisfaction after purchase.

■ Nine-Step Design Review Process

| | |
|-----|------------------------------------|
| DR0 | Commercial product planning review |
| DR1 | Product planning review |
| DR2 | Prototype design review |
| DR3 | Pilot production review |
| DR4 | Mass production design review |
| DR5 | Production preparation review |
| DR6 | Mass production review |
| DR7 | Initial production review |
| DR8 | Customer satisfaction review |

■ Recognition and Certification of Quality Assurance Systems

1986 Received Deming Award

1994 Acquired ISO 9001 certification (1994 version) and QS 9000 certification

2003 Acquired ISO 9001 certification (2000 version) and TS 16949*1 certification

Quality Control Policy

Toyota Industries utilizes every opportunity to ensure that each of its employees, beginning with its upper management, embraces the company's policy of zero-defects quality and understands that the customer is number one. These policies form the basis for all of the company's quality control activities.

Quality Control System

When customer evaluation data is received by a division's quality assurance department, the department immediately reassesses the design review process and provides feedback in order to improve quality at the process level.

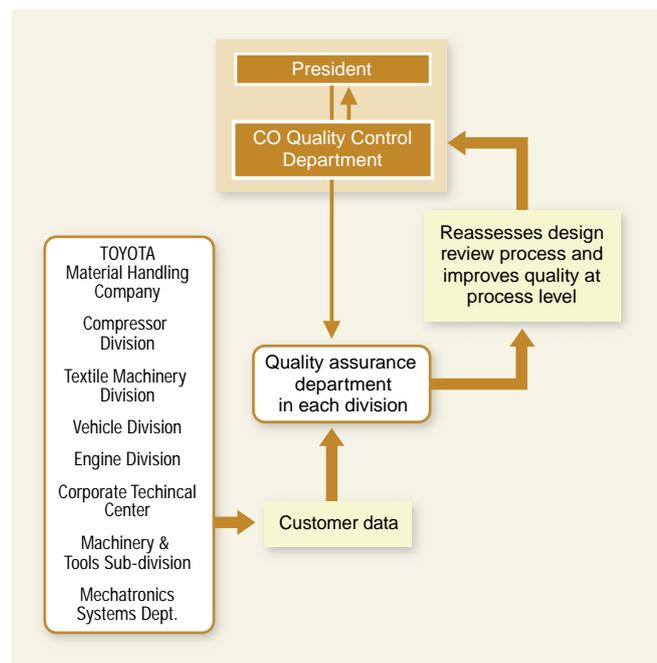
If, through customer feedback, a division uncovers what qualifies as a critical quality issue under company rules, the data is immediately relayed to both the Corporate Center's Quality Control Department and the company president.

The Quality Control Department is responsible for monitoring the quality assurance department of each division in order to ensure that the departments are reassessing the design review process and implementing feedforward control*2 to improve quality at the process level.

The president of Toyota Industries is personally involved in ensuring that his directives for the company are being implemented, participating in special site inspections and quality status meetings, during which responsible department heads report information about the quality of the company's products to the president.



■ Quality Control System



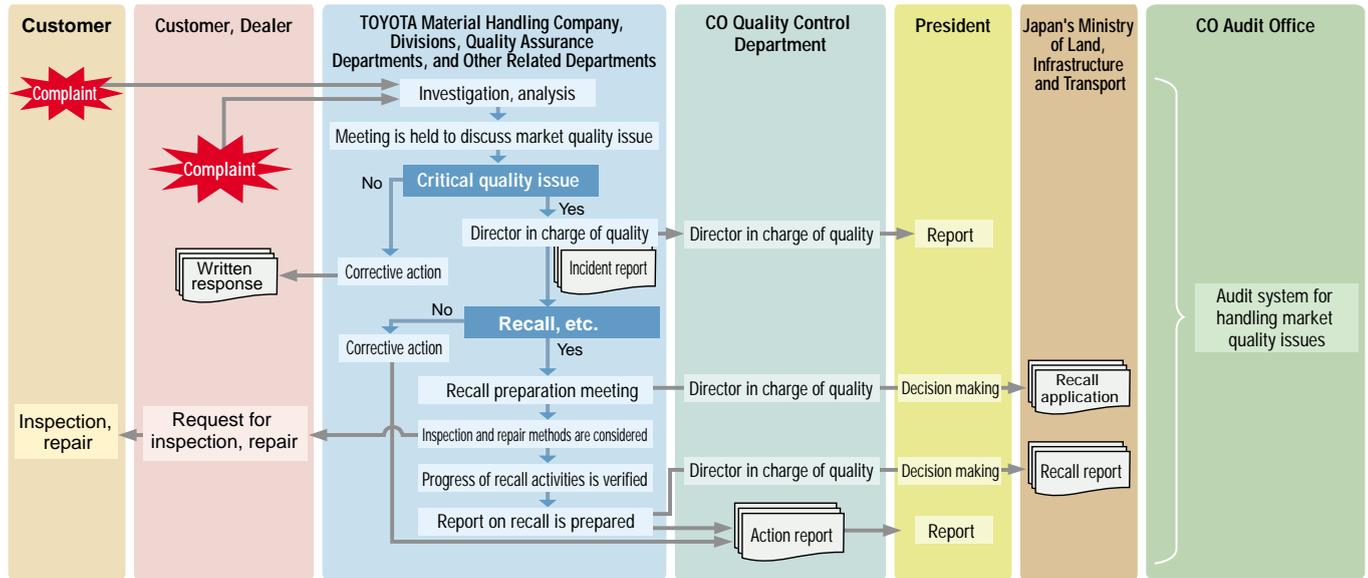
Complaint Response

If there is a critical quality issue such as a market-based complaint or recall, the relevant information is immediately relayed to the company's upper management. Appropriate measures are then taken to minimize any inconvenience to the customer. If a recall is required, the company notifies the relevant authorities and contacts its customers through direct mail, or other means, to ensure that warranty repairs are quickly performed.

*1 TS 16949: a quality assurance standard for the automotive industry.

*2 Feed-forward control: a control system used to prevent future oversights, thereby removing the possibility of having to correct oversights after they have occurred.

■ Responding to Critical Quality Issues



The Audit Office conducts regular audits of the company's major divisions to ensure that the quality assurance system outlined above functions as it was intended.
Audit Goals

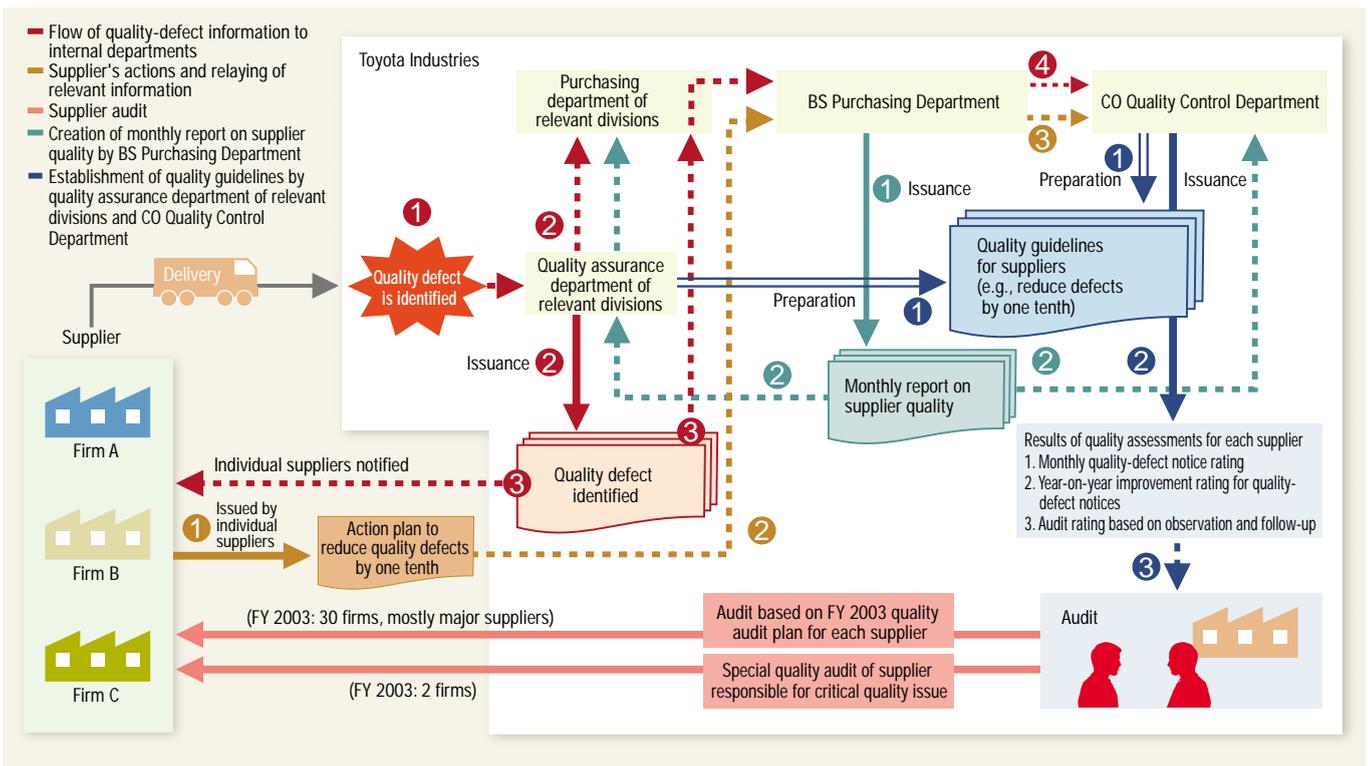
1. To determine whether critical quality issues are being handled in an appropriate manner and reported to upper management
2. To determine whether appropriate company rules are in place
3. To determine whether complaints are being handle in compliance with company rules

Quality Assurance throughout the Supply Chain

Toyota Industries' branding as a global manufacturer is based on its reputation for quality and reliability, which serves as a valuable management resource for the company. The company's unceasing commitment to quality

is shared by each firm in its supply chain. This enables Toyota Industries to offer quality products that are trusted by customers around the world.

■ Quality Assurance Flowchart



Social Activities

Striving to contribute to society based on a policy of social commitment, with an emphasis on traffic safety, social welfare activities, and environmental conservation

— Guiding Principles for Corporate Citizenship — Basic Philosophy

Toyota Industries is respectful of the people, culture, and traditions of each region and country in which it operates. It also works to promote economic growth and prosperity in those countries.

Basic Perspective

While aiming toward corporate development and longevity, Toyota Industries strives to fulfill its role as a good corporate citizen so that the regions which provide a foundation for its corporate activities and its employees' lifestyles become more prosperous and pleasant. To accomplish this, Toyota Industries actively promotes cooperative support activities with the objective of contributing to society through the provision of HR, facilities, and funds. Toyota Industries' employees, through activities such as volunteering, also endeavor to be of service to society.

Traffic Safety

As an automotive-related manufacturer, Toyota Industries strives to promote traffic safety in the community. Its Central Traffic Safety Committee is responsible for promoting traffic safety activities throughout the company and is also involved in promoting the practice of traffic safety both in the local community and among company employees.

■ Promoting Traffic Safety in the Community

Japan's Ministry of Land, Infrastructure and Transport conducts a nationwide traffic safety campaign four times a year. During the campaign, the Toyota Group jointly conducts a Yellow Stop Campaign aimed at



Toyota Industries Employees Encourage Drivers to Stop for Yellow Lights

encouraging drivers to stop when a traffic light turns yellow. As part of this campaign, Toyota Industries employees station themselves at intersections near the company's plants and encourage passing drivers to exercise greater caution. Toyota Industries also participates in government-sponsored traffic safety events and encourages its employees to use extra caution as part of its Zero Traffic Accident Day campaign, which is held on a designated day each month.

■ Traffic Safety Fair Program

Toyota Industries is a sponsor of the Traffic Safety Fair program organized by the Traffic Safety Association of Aichi Prefecture. In 2003, Traffic Safety Fairs were held during the month of March in order to help the public gain a better understanding of traffic safety. As part of the event, Toyota Industries displayed its proprietary Parking Assist System, which is a sound-emitting guidance system that was developed to help drivers safely park their cars.



Traffic Safety Fair 2003

■ Traffic Safety Awareness Among Employees

Traffic safety workshops are regularly conducted by the company as a means of encouraging greater awareness of traffic safety among employees. The company also utilizes a simulator machine to improve the traffic safety skills of its employees. Every month, Toyota Industries publishes a company-wide report detailing traffic accidents involving its employees, which serves as a cautionary reminder for all its employees to drive safely.



Motorcycle Skills Workshop

Social Welfare Activities

Employees of Toyota Industries volunteer their time to help the elderly and persons with disabilities. The company is also actively involved in sponsoring events for the welfare of the community.

■ Volunteer Support Network

Toyota Industries has established the Heartful Club, an in-house support network that promotes volunteer involvement by company employees. The network currently has approximately 340 registered volunteer members and uses the Toyota Industries intranet to distribute information about volunteering opportunities. Through the work of the Heartful Club, many of the company's employees are participating in a wide range of volunteer opportunities including helping to run social welfare events and charity concerts and contributing to environmental conservation activities.

Toyota Industries has also established the Toyota Group “Disaster V (Volunteer) Net” in order to provide assistance to victims and areas stricken by a natural disaster, such as a major earthquake, in the Tokai region. The organization has 91 members and conducts workshops so that its members can swiftly and appropriately respond to a natural disaster.



Call for Volunteers

■ Special Olympics Nippon, Nagoya Branch

Toyota Industries is a sponsor of Special Olympics programs in Aichi Prefecture. These programs are aimed at giving individuals with mental disabilities an opportunity to train and compete in an annual Special Olympics competition. In November 2003, the company volunteered its athletics grounds and gym facilities to be used for various competitions. For Special Olympics Day, which drew 350 participants. Thirty employees of Toyota Industries volunteered to help run this event.



Special Olympics Day in Aichi Prefecture

■ Social Welfare Events

In collaboration with the Kariya City Social Welfare Council, Toyota Industries sponsors the Social Welfare Get-Together Festival. During this annual event, Kariya City residents with disabilities are invited to the company's Shines building—a leisure and entertainment facility that was created for the benefit of Toyota Industries' employees—to enjoy everything from food, music, and dancing to games and handicrafts. This year's festival, held in February, was attended by 234 individuals and was run with the help of 125 volunteers from the company. Toyota Industries also sponsors events for children from social welfare facilities, such as field trips to go clam digging, strawberry picking, and potato harvesting.



Social Welfare Get-Together Festival



Clam Digging Field Trip for Children

■ Sumo Field Trip for Orphaned Children

Every year, Toyota Industries invites 250 children, who have been orphaned as a result of traffic accidents, to attend the July Grand Sumo Tournament held in Nagoya. The program is organized by the Chunichi Shimbun Charity Organization.

■ Coexisting with the Community

Toyota Industries participates in community-building activities and is a staunch supporter of youth education and cultural activities.

■ Kariya City's Mando Festival

The Mando Festival, which is held each July in Kariya City, is officially recognized as an intangible cultural asset by Aichi Prefecture. Last year, 80 of the company's employees participated in the festival by helping to repair the giant mando lanterns and joining in the procession of lantern-carrying dancers with other members of the community.



Mando Festival in Kariya City

■ Plant Open House Summer Festivals

During the months of July and August, each of Toyota Industries' plants holds an Open House Summer Festival in order to promote greater interaction with the community and to bring its employees and their families together. Each plant offers a unique mix of traditional Japanese dancing, food stalls, band performances, and other festivities.



Open House Summer Festival at Obu Plant

Relationship with the Community

■ Youth Education Programs

Toyota Industries strongly supports youth education programs in the form of invention and innovation programs for youth residing in Obu City and Kariya City. The annual summer program conducted in Obu City gives children from local elementary schools the opportunity to enjoy the process of creating objects and conducting their own experiments. In FY 2003, the participants built a hovercraft and made their own soda beverages.



Summer Crafts and Experiments Program



Concert by Nagoya Philharmonic Orchestra

Supporting Cultural Activities

■ Classical Music Performances

In September 2003, seven Toyota Group companies headquartered in Kariya City, Aichi Prefecture, sponsored a charity concert by the Nagoya Philharmonic Orchestra. The concert was attended by individuals with disabilities and community organization members. Toyota Industries was also a contributing sponsor of the annual New Year's Concert for 2003 in which the Nagoya Philharmonic Orchestra performed before an audience of 720.

■ Partnership Concert for Expo 2005

Toyota Industries co-sponsored the Expo 2005 Partnership Concert in Yokkaichi City, Mie Prefecture, with the goal of raising awareness for the upcoming 2005 World Exposition in Aichi Prefecture.

■ Sculpture d'Esaka Museum

Toyota Industries operates the Sculpture d'Esaka Museum* through its subsidiary Sun River Co., Ltd. The company gladly lends its support, such as by providing the museum with pieces of sculptural work to display.



Sculpture d'Esaka Museum

Subsidiary Spotlight

Toyota Industrial Equipment Mfg. Receives Bridge of Friendship Award for Outstanding Corporate Citizenship

Toyota Industrial Equipment Mfg., which manufactures forklifts in the United States, received the Bridge of Friendship Award from the Japan-America Society of Indiana in June 2003. The award was given in recognition of over 13 years of activities carried out in close partnership with the community, including the company's sponsorship of local charitable facilities and arts programs in its local community of Columbus, Indiana. The company is fully committed to remaining actively involved in the community.



President Yoshimitsu Ogihara and Senior Vice President Marv Johnson Holding the Bridge of Friendship Award from the Japan-America Society of Indiana

* The Sculpture d'Esaka Museum is one of only a few museums in Japan devoted solely to sculptural works, and features such modern artists as Henry Moore, Rodin, and Maillol. The museum is part of the Amenity Esaka complex, located in Suita, Osaka, and is operated by Toyota Industries subsidiary Sun River Co., Ltd.

Environmental Conservation

Toyota Industries participates in community cleanup events and nature conservation activities through the volunteer efforts of its employees.

■ Adopt-an-Area Program

The Adopt-an-Area Program enlists corporations and members of the community to adopt public areas such as roads, parks, and train station plazas. The program encourages citizens and corporations to care for and keep their communities clean. As sponsors of the program, the Higashichita Plant and Kyowa Plant have adopted public areas, in Handa City and Obu City respectively, in an effort to keep local parks and roads clean.



An Adopted Area

■ Nature Conservation

Toyota Industries regularly contributes donations to the Keidanren Nature Conservation Fund and rallies its employees to volunteer in the protection of natural habitats, such as those of the wild Japanese iris. The company also participates in other nature conservation programs to protect forests and wildlife in local communities.

■ Community Cleanup Events

Toyota Industries is committed to raising the environmental awareness of its employees and encourages volunteer efforts by employees. The company has established a



Cleanup Day at Minamichita Beach

Cleanup Day with the goal of enlisting the aid of 1,000 volunteers company-wide to beautify the areas surrounding its plants. During the annual one-day event last year, 2,200 employees collected three truckloads of garbage amounting to 4.5 tons of waste. The Nagakusa Plant also organized a cleanup event at Minamichita Beach, a popular tourist destination in Aichi Prefecture, with the participation of 200 employees.

■ Kariya Citizens' Conference on the Environment

The local government of Kariya City, where Toyota Industries is based, organized its first Citizens' Conference on the Environment during FY 2003. The event brought together non-profit organizations, non-governmental organizations, local citizens, and corporate leaders, all of whom provided input into the city's Basic Environmental Plan. As an active participant of the conference, Toyota Industries contributed its own input, which will guide the city's environmental strategies and its organization framework for implementing these strategies.

Subsidiary Spotlight

Eco-Planning by Sun River Co., Ltd.

Sun River Co., Ltd., operates the Amenity Esaka complex, a sports, cultural, and dining facility located in Suita, Osaka. Eighteen percent of the complex's grounds, amounting to over 2.3 hectares, have been reserved for greenspace in an effort to provide the community with a relaxing oasis in an urban environment.



Amenity Esaka Complex

Corporate Citizenship by Michigan Automotive Compressor, Inc.

Michigan Automotive Compressor, Inc., which manufactures car air-conditioning compressors in the United States, is involved in promoting environmental education for the



good of the community. The company sponsors organizations such as the Dahlem Environmental Education Center, which organizes nature activities for local children, and the Audubon Adventures environmental education program for children.

Environmental Disclosure

Reaching out to a wider audience through various forms of communication

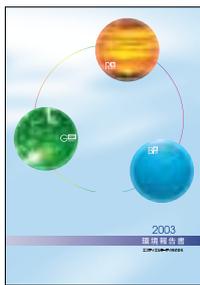
Toyota Industries is actively involved in disclosing information on its environmental activities through various media campaigns, publications, and participation in public and industry events.

■ Social & Environmental Reports and Environmental Website

Toyota Industries has been publishing an environmental report every year since 1999. These reports have evolved into the company's current Social & Environmental Report, which details the company's social and environmental activities and the performance of its subsidiaries and affiliates.



Toyota Industries Environmental Report 2003



ST Liquid Display Corp. Environmental Report 2003



Taikoh Transportation Co., Ltd. Environmental Report 2003

ST Liquid Display Corp. and Taikoh Transportation Co., Ltd., an affiliate and a subsidiary of Toyota Industries, have been publishing their own environmental reports since FY 2002.

Information about Toyota Industries' environmental activities and data can also be obtained at www.toyota-industries.com/environment/index.html.

■ Environmental PR

Toyota Industries uses advertising to share its environmental activities with a wider audience. During FY 2003, the company ran a series of monthly newspaper advertisements detailing its environmentally friendly products and the environmental strategies carried out at its plants.



Newspaper Advertisement (May 2003)

■ 2003 Tokyo Motor Show

Toyota Industries is a regular exhibitor at the annual Tokyo Motor Show. For the 2003 event, which was held from October 24 to November 5, the theme of the company's booth was "Toyota Industries: Reaching Forward and Evolving to Provide Environmental Technologies and Key Devices to Support the Future of Automobiles." The company displayed various environmental technologies, including its electric compressor for the new Toyota Prius and its DC-DC converter technology.



Toyota Industries Booth at 2003 Tokyo Motor Show

Subsidiary Spotlight

Toyota Material Handling USA, Inc.

Toyota Material Handling USA, Inc., which markets and sells forklift trucks in the United States, was an exhibitor at the International Electric Vehicle Symposium. The 2003 event, which was held in California, U.S., featured battery-powered forklifts manufactured by Toyota Industrial Equipment Mfg., Inc. The corporate booth emphasized the low power, environmentally friendly features of the company's products.



Toyota Material Handling USA, Inc., Booth at 2003 Electric Vehicle Symposium

BT Industries Group

The BT Industries Group develops and manufactures warehouse trucks. The company publishes relevant information on its website and produces environmental declarations for many of its trucks. These declarations detail the manufacturing processes, raw materials, energy consumption, and recycling rates of the company's products.



Environmental Declaration

Safety and Health Management

A forward-looking approach to safety and health management with the goal of continually improving the safety and comfort of the workplace

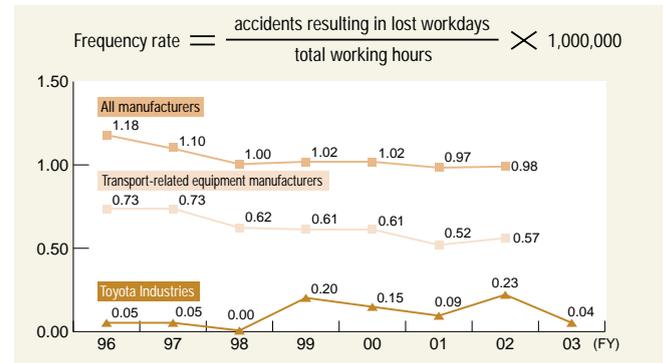
The safety and health of employees is given utmost priority and is viewed as having the power to affect the very foundations of the company. Toyota Industries promotes a fundamental philosophy of respect for humanity, which serves as the basis for its efforts to create a workplace environment that enables all of its employees to work in a secure, positive, and healthy atmosphere.

Employee Safety and Health

Toyota Industries has adopted a policy of striving to improve its safety and health management standards through the promotion of an occupational safety and health management system, and closer collaboration with its subsidiaries and affiliates. The company's Safety and Health Committee, composed of management-level employees, is responsible for implementing company-wide activities aimed at preventing occupational accidents.

Safety and health activities are comprehensively implemented on a daily basis within the company, focusing on the key aspects of the people, materials, and management involved. The company's occupational accident rate has remained consistently below the industry average in this area. Toyota Industries is also involved in ongoing efforts to improve occupational safety and health management at its subsidiaries and affiliates.

On-the-Job Accidents



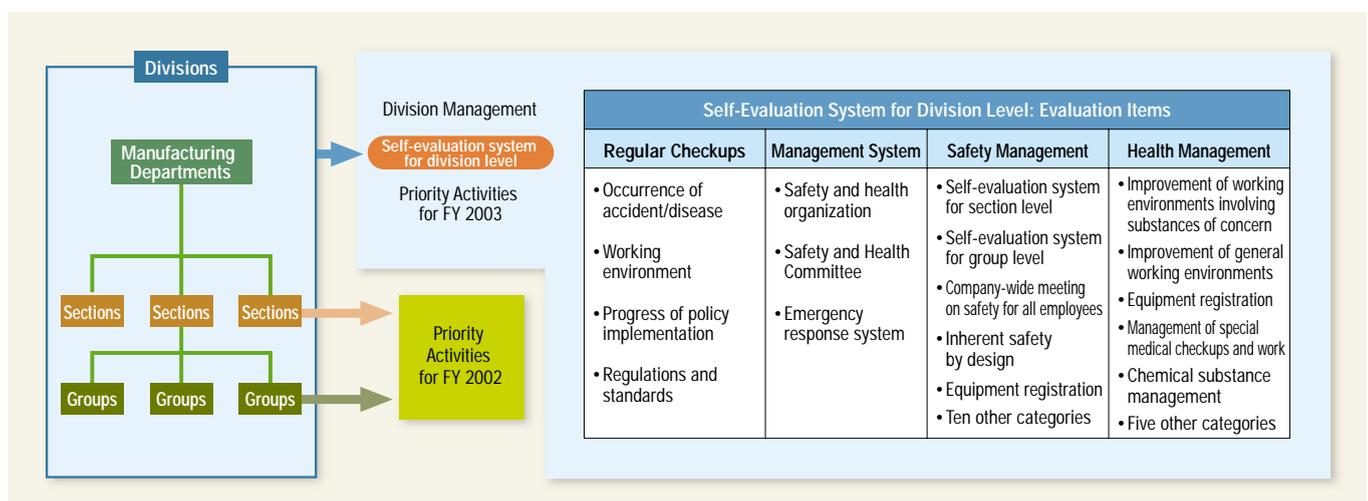
Occupational Safety and Health Management System

Toyota Industries has taken a multilayered approach to identifying the various aspects of safety and health management within the company's workplaces, sections, and divisions, with an emphasis on the manufacturing activities of the company. Regular assessments of the company's activities are carried out in order to improve its existing occupational safety and health management system.

In FY 2003, the company conducted an assessment of its safety and health management systems at the division level, based on its ongoing efforts at the workplace and section level. Approximately 30 assessment categories were used to identify whether the company's safety and health management systems were performing properly. Although the assessment results showed that, on average, goals were being met, they also revealed that there were several areas in need of improvement, such as the existing working environment at the time of the assessment.

Toyota Industries is committed to further solidifying its multilayered occupational safety and health management system and implementing further enhancements, with the goal of fully establishing the safety and health management system for its office work by FY 2005.

Occupational Safety and Health Management System



Relationship with the Employee

■ Safety and Health Workshops

Toyota Industries conducts workshops aimed at preventing occupational accidents and improving the safety and health management of its manufacturing-related subsidiaries and affiliates in Japan. The company's workshops focused on the subject of regulatory compliance in FY 2002 and on the establishment of safety and health management systems in FY 2003. These workshops were designed to ease the way for safety and health assessments to be carried out in FY 2004.

■ Environmental, Safety, and Health Workshop for Overseas Manufacturing-Related Subsidiaries

During FY 2003, Toyota Industries held its first workshop for personnel from the health, safety, and environmental departments of its overseas manufacturing-related subsidiaries. The event was designed to provide the participants with a better understanding of the company's safety, health, and environmental activities and to promote further dialogue between those involved. Future workshops will be alternately hosted by the company's overseas manufacturing-related subsidiaries, with the aim of strengthening group-wide involvement in environment, safety, and health-related issues.



Workshop Participants

■ Environmental, Safety, and Health Workshop

| | |
|--------------|--|
| Participants | Michigan Automotive Compressor, Inc.; Toyota Industrial Equipment Mfg., Inc.; TD Deutsche Klimakompressor GmbH; Toyota Industrial Equipment, S.A.; Kirloskar Toyoda Textile Machinery, Ltd.; ACTIS Manufacturing, Ltd. LLC |
| Agenda | <ul style="list-style-type: none"> • Toyota Industries' environment, safety, and health activities • On-site observations of domestic plants • Case studies from Toyota Motor Corporation |

Employee Health

Employee health is a high priority at Toyota Industries, with great emphasis placed on better equipping its employees and workplaces to cope with aging and stress and the associated risks. Efforts to promote employee health include programs aimed at preventing lifestyle-related illnesses and improving the mental health of employees.

■ Preventing Lifestyle-Related Illness

Toyota Industries organizes and sponsors a broad range of programs aimed at preventing lifestyle-related illness among employees. Employees are encouraged to participate in goal-oriented fitness programs, outdoor hiking events, and seminars on lower back pain prevention and other health issues. These company-sponsored programs give employees the opportunity to improve their health through lifestyle changes.

During FY 2003, Toyota Industries established an Employee Health Promotion Committee in collaboration with its health insurance society and the labor union. The company also established a major new campaign to promote employee health.



■ Promoting Mental Health

Toyota Industries' approach to mental health issues is focused on early detection and care. In accordance with strategies promoted by Japan's Ministry of Health, Labor and Welfare, the company uses a multi-pronged approach that combines self-care with support from line supervisors, industrial health professionals, and professionals outside the company.

■ Efforts to Promote Mental Health of Employees

| Category | Description |
|--------------------------|---|
| Preventive measures | <ul style="list-style-type: none"> • Created stress analysis tool, now available over corporate intranet • Established counseling desk for health issues • Publishes health news bulletin • Conducts health education for new employees and specific age groups |
| Early detection and care | <ul style="list-style-type: none"> • Conducts mental health education for line supervisors • Conducts training for newly promoted managers and supervisors • Provides counseling based on results of routine physicals and special overtime checkups |

Spotlight

Hekinan Plant Commended for Educational Video on Safety and Health

During FY 2003, the Hekinan Plant received an award of excellence from the Japan Industrial Safety and Health Association as part of a nationwide competition. The plant was commended for its safety and health-related educational video, which was created by the plant's manufacturing department to help educate newly assigned employees. The video was praised for its skillful presentation of past occupational accidents, occupational risks, and ethical issues in the workplace.



Japan Industrial Safety and Health Association Award Ceremony

Creating a Better Workplace

Establishing a healthy and livable workplace based on an atmosphere of mutual trust

Toyota Industries' basic philosophy is to nurture the inventiveness and other abilities of its employees and to seek to create a climate of cooperation, so that both the employees and the company can realize their full potential.

Furthermore, Toyota Industries has chosen the principles of mutual trust and respect for diversity as its guide for corporate and employee conduct.

— Basic Perspective —

Maintaining an Atmosphere of Mutual Trust

Toyota Industries seeks to maintain an atmosphere of mutual trust with its employees by ensuring jobs and making a sustained effort to improve labor conditions, while at the same time establishing a healthy and livable workplace environment. In return, the company expects that its employees will carry out their duties in a forthright manner in order to maintain their employer's trust.

Respect for Diversity

A respect for individual diversity is essential to a healthy and livable workplace. Toyota Industries and its employees pledge to respect the privacy of individuals and refrain from discrimination based on race, religion, gender, nationality, disability, or any other factor not directly related to an individual's work performance. Toyota Industries will not tolerate sexual harassment in the workplace, due to its illegal nature and its destructive effect on individuals, the workplace environment, and productivity.

Creating an Open Workplace Environment

Toyota Industries encourages its employees to come forward during workplace meetings and present any grievances they might have, so that the company can more readily respond. Furthermore, the company sponsors recreational activities to promote better communication and unity for a more open workplace environment.

Several consultation services have been created to enable the company to better address employee complaints and concerns. These consultation services address issues ranging from corporate ethics and spiritual and health matters to sexual harassment and the Equal Employment Opportunity Law.

HR Development

Developing professional employees able to realize their full potential

The company emphasizes the following goals in its HR activities:

1. To focus on each individual
2. To place emphasis on abilities and achievements
3. To create an open framework for its personnel system
4. To create a system where employees can grasp opportunities, take on challenges, and compete within a positive environment
5. To promote active thinking by employees and organizations

Toyota Industries seeks to develop employees that are able to grasp the company's ideals and realize their full potential in a variety of fields.

HR Development Management Cycle

Toyota Industries employs an HR development management cycle to guide its activities. The cycle is divided into three stages consisting of goal setting, regular assessment and guidance, and performance assessments through employee interviews.

At the beginning of each cycle, the company establishes goals and tasks for each individual. The goal-setting process is based on factors such as directives from the company president, policies and strategies at the division and department level, and issues at the working group level.

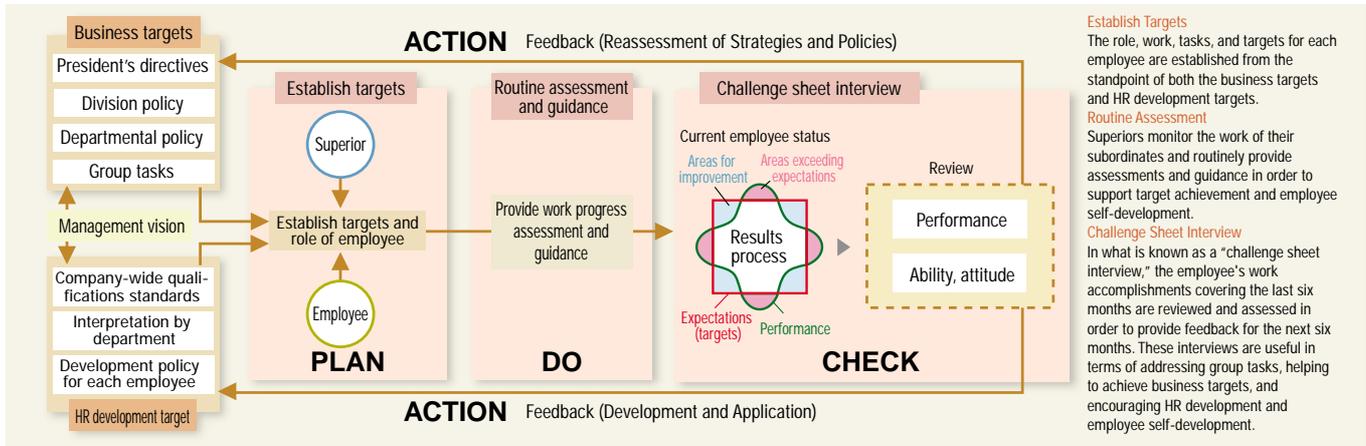
Next, the company conducts regular assessments and provides guidance through daily communication between employees and their superiors. In addition to focusing on performance, employees discuss their work processes and the progress of their work.

At the end of every cycle, an employee and his or her superior will sit down to review the work accomplished during the previous six months, using a "challenge sheet" to measure the level of goal achievement by the employee. During the interview, the employee's work processes, performance, and individual weaknesses and strengths are reviewed. This process is aimed at identifying tasks for the next six months and encouraging the growth and personal development of the employee.

This management cycle used by Toyota Industries serves a dual purpose for the company. Firstly, it enables the company to address the areas in need of improvement in its workplaces and business activities. Secondly, it promotes further development of the company's HR.

Relationship with the Employee

Management Cycle for HR Development



Employee Education

Employee education at Toyota Industries is comprised of multilayered training for employees in technical positions, office and engineering positions, and specialized areas. In addition to in-house training programs, the company also makes use of outside training when needed. Multilayered training is based on the number of years employees have been with the company and their position within the company. This training is carefully matched to each employee level through a process of identifying the knowledge and skills needed at each stage of an employee's development. Specialized training is conducted by instructors from within and without the company who possess extensive knowledge in their respective fields, and is aimed at equipping employees with advanced expertise and skills in specialized fields. Toyota Industries has also established a program to support its employees in their efforts to acquire various work qualifications.

Environmental Education and Awareness

Environmental education at Toyota Industries consists of general education for all employees and specialized training required by employees in specialized areas of work. Specialized training includes internal auditor training aimed at developing leaders to promote environmental activities within the company and training in the field of environmental design. Employees to be transferred

overseas also receive training aimed at strengthening the company's consolidated environmental management. In addition, Toyota Industries is involved in ongoing efforts to raise the environmental awareness of its employees through a wide range of activities. These activities include environmental lectures by specialists, employee screenings of films with environmental themes, and the inclusion of environmental articles in the company's in-house magazine distributed to employees.

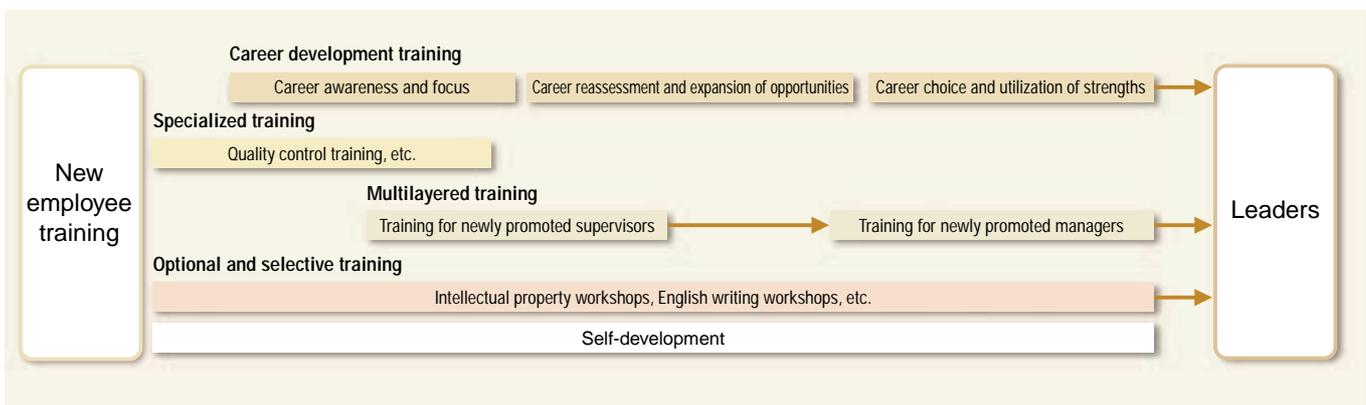
Framework for Environmental Education

FY 2003 Education

| Program | Attendees | Number of Attendees |
|------------------------------------|-----------|---------------------|
| New employee education | | 262 |
| Newly promoted supervisor training | | 377 |
| Newly promoted manager training | | 112 |
| Internal auditor training | | 172 |
| Designer training | | 79 |



Education for Employees in Office-based Engineering Positions



Equal Opportunity

Implementing strategies that support the work-related ambitions of its employees

Toyota Industries persistently endeavors to maintain a vibrant work environment for its employees by sponsoring programs to support a satisfying balance between family and work, and by promoting equal opportunity regardless of race, religion, gender, nationality, disability, age or any other factor not directly related to an individual's work performance.

Equal Working Opportunities for Women

Toyota Industries is taking steps to expand the diversity of employment opportunities available to women in order to maximize their full potential as employees. The company is regularly hiring women to technical positions and has eliminated hiring practices that limit employees to certain positions based on gender.

The company has created in-house guidelines that systematically address equal employment opportunity and issues such as complaints relating to sexual harassment. These guidelines can be accessed via the corporate intranet and help to ensure compliance within the workplace.

Supporting Balance between Family and Work

Declining birth rates, an aging society, and the increasing prevalence of nuclear families have placed an increasing burden on the company's employees. In many cases, employees are forced to balance their work and their domestic roles as caregivers of children or the elderly. Toyota Industries is actively involved in creating programs and encouraging a workplace culture that will enable its employees to balance their family and workplace commitments, without having to sacrifice one for the other. These programs are considered necessary to the growth of the company, should it wish to retain its knowledgeable and skilled workforce. In FY 2002, Toyota Industries was pronounced a "family-friendly" corporation by the Aichi Prefecture Labor Bureau.

Family-Work Balance Programs

Toyota Industries has created four major programs to meet the diverse needs of its employees: child care leave, leave of absences for emergency child care, reduced working hours, and access to child care facilities. The company's child care leave program enables employees to take a leave of absence of up to two years after the birth of a child. To date, there have been 333 cases of

employees taking advantage of this program, with most employees choosing to later return to the workplace. The company also provides five extra days of leave per year so that parents can care for preschoolers and infants in the event of illness. Furthermore, Toyota Industries operates a day care facility for children aged zero to two years for use by its employees.

Parent Assistance Programs and Benefits

| Program/Benefit | Description |
|----------------------------------|--|
| Child care leave | Up to two years' leave of absence from date of childbirth |
| Emergency child care leave | Up to five days of leave per year to attend to an ill preschooler or infant |
| Overtime restrictions | Period: minimum, one month; not to exceed one year Number of hours: not to exceed 24 hours in any month or 150 hours annually (No limit on applying for exemption) |
| Graveyard shift exemption | Period: minimum, one month; not to exceed one year (No limit on applying for exemption) |
| Reduced working hours | Flex-time work schedule until child reaches three years of age Exemption from overtime and weekend work |
| Employer-owned day care facility | Access to day care facility operated by Sun Staff, Inc. (subsidiary) |

Case Study A Employee Access to Day Care Facility

Toyota Industries operates the Aizuma day care facility through its subsidiary Sun Staff, Inc. The day care facility operates in accordance with the company's days and hours of operation, unlike most other day care facilities. For example, the facility is open from 7:15 AM to match the company's working hours and is open on national holidays that overlap with Toyota Industries' operating schedule.



Company-Owned Day Care Facility

Relationship with the Employee

■ Building a Better Workplace Culture

Toyota Industries believes a proper balance can be achieved between family and work through the cooperation and mutual trust of employees and their workplaces. This process requires the building of a workplace culture that understands the importance of this balance. The company's main strategies to achieve a balanced workplace culture include efforts to achieve widespread recognition of in-house programs and raise awareness among managers. Furthermore, the company reviews how its employees work and promotes communication that extends to the families of employees.

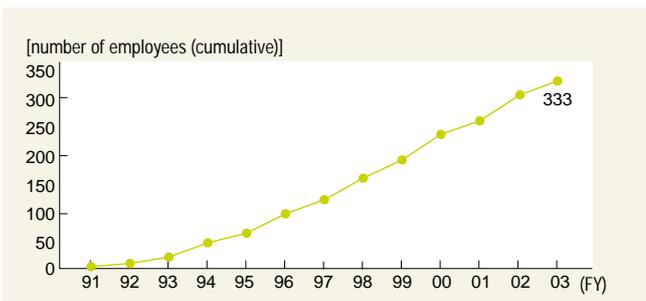
■ Case Study B Child Care Leave

When an employee requests child care leave, the company arranges an interview involving the employee, the employee's supervisor, and a member of the Human Resources Department. A booklet is used to discuss the details of child care leave, and information on how to contact the employee during the period of leave is confirmed. This process is aimed at deepening awareness of child care leave issues among managers while alleviating the concerns of employees who are about to take child care leave.

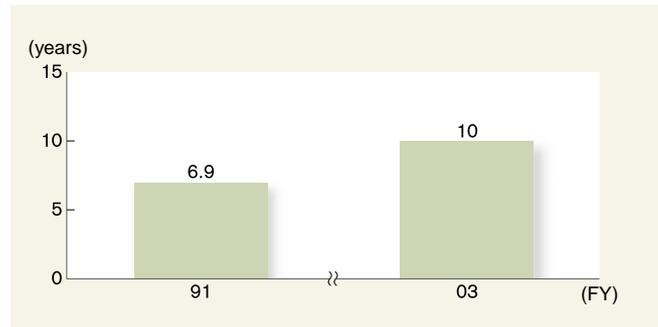


Explaining the Details of Child Care Leave

■ Trend in Employees Taking Child Care Leave



■ Average Continuous Years of Employment by Female Employees



■ Employing Individuals with Disabilities

Toyota Industries employs individuals with disabilities to fill a broad range of positions for the company every year.

At the end of March 2004, the company had in its employ 116 individuals with disabilities, which accounted for 1.93% of its workforce. This figure exceeds the 1.8% legal requirement in Japan for hiring persons with disabilities. The company's employees include participants of international Deaflympics and Abilympics competitions. Toyota Industries is involved in various activities to expand workplace support systems for employees with disabilities.

■ Working After Retirement

Toyota Industries has created a Super Career Program in which the company rehires its retiring employees in order to build a stronger workplace and utilize the considerable experience and technical abilities they possess. Former employees selected through this program are hired for a period of three years to work as skilled technical workers and serve as mentors for less experienced employees. The company has also created a program in which retired employees can sign up with its subsidiary Sun Staff, Inc., a staffing agency that dispatches workers to perform duties at Toyota Industries and other firms.

Environmental Data

Environmental Data

Since establishing its Safety, Health, and Environment Department in 1971, Toyota Industries has steadily improved its environmental performance throughout the years.

This chapter summarizes the environmental data for the Toyota Industries Group, including its ISO 14001 acquisition status and performance in FY 2003.

*Although space limitations have prevented the company from listing its environmental data in its entirety, additional environmental data can be obtained at www.toyota-industries.com/environment/.



FY 2003 Environmental Data

■ Toyota Industries Group Group-Wide Environmental Data

| Category | Environmental Performance Index | | Unit | Toyota Industries, Non-consolidated *1 | Domestic Subsidiaries and Affiliates | Overseas Subsidiaries | Total | |
|----------------------------|---|----------------------------|---------------------|--|--------------------------------------|-----------------------|---------|---------|
| Input | Raw materials | Metals | Ferrous | t | 131,878 | 4,726 | 136,604 | |
| | | | Non-ferrous | t | 171,238 | 22,890 | 194,128 | |
| | | | Subtotal | t | 303,116 | 27,616 | 330,732 | |
| | | Nonmetals | Resins | t | 1,131 | 148 | 1,279 | |
| | | | Inorganic compounds | t | - | 657 | 657 | |
| | | | Subtotal | t | 1,131 | 805 | 1,936 | |
| | | Water | Industrial water | km ³ | 1,640 | 16 | 1,656 | |
| | | | Municipal water | km ³ | 518 | 90 | 608 | |
| | | | Well water | km ³ | 1,774 | 2,462 | 4,236 | |
| | | Subtotal | km ³ | 3,932 | 2,568 | 6,500 | | |
| | Chemical substances | Toxic materials | t | 6,946 | 2,343 | 9,289 | | |
| | | PRTR-designated substances | t | 2,579 | 282 | 2,861 | | |
| | Packing materials | Wood | t | 2,583 | 86 | 2,669 | | |
| | | Cardboard | t | 1,724 | 374 | 2,098 | | |
| | | Plastics | t | 91 | 118 | 209 | | |
| | | Other | t | - | 53 | 53 | | |
| | Office supplies | Copy paper | t | 132 | 64 | 196 | | |
| | Energy | Purchased electric power | | MWh | 356,727 | 307,507 | 167,318 | 831,552 |
| | | City gas | | km ³ N | 65,637 | 11,412 | 4,249 | 81,298 |
| | | LPG | | t | 109 | 1,244 | 1,063 | 2,416 |
| A heavy oil | | kl | - | 509 | 484 | 993 | | |
| Kerosene | | kl | 2,465 | 181 | - | 2,646 | | |
| Coke | | t | 8,142 | - | - | 8,142 | | |
| Gasoline | | kl | 208 | 244 | 29 | 481 | | |
| Light oil | | kl | 297 | 289 | 1,572 | 2,158 | | |
| Subtotal | | GJ | 4,668,297 | 1,703,553 | 931,963 | 7,353,813 | | |
| Electric power generated | Co-generation | | MWh | 123,782 | - | - | 123,782 | |
| | Solar-generated | | MWh | 135 | - | - | 135 | |
| | Wind-generated | | MWh | 0 | - | - | 0 | |
| Greenhouse gases | Production activities | CO ₂ | kt-CO ₂ | 292 | 147 | 189 | 628 | |
| | | CH ₄ | kt-CO ₂ | - | - | - | - | |
| | | N ₂ O | kt-CO ₂ | - | 1 | - | 1 | |
| | | HFC | kt-CO ₂ | 4 | 0 | 1 | 5 | |
| | | PFC | kt-CO ₂ | 6 | 3 | - | 9 | |
| | | SF ₆ | kt-CO ₂ | - | 10 | - | 10 | |
| | Subtotal | kt-CO ₂ | 302 | 161 | 190 | 653 | | |
| | For logistics functions | Logistics | t-CO ₂ | 6,868 | 1,703 | NA | 8,571 | |
| Air pollutants | SO _x | | m ³ N | 102 | 108 | 234 | 444 | |
| | NO _x | | m ³ N | 48,006 | 25,075 | 7,296 | 80,377 | |
| | VOC*2 | | t | 2,728 | 551 | 150 | 3,429 | |
| Water pollutants | Wastewater | | km ³ | 3,059 | 1,892 | NA | 4,951 | |
| | COD | | t | 16 | 5 | NA | 21 | |
| | Nitrogen | | t | 12 | 5 | NA | 17 | |
| | Phosphorous | | t | 0.1 | 0.1 | NA | 0.2 | |
| PRTR-designated substances | Released | Air | t | 677 | 34 | NA | 711 | |
| | | Water | t | 4 | 1 | NA | 5 | |
| | | Landfill waste | t | 4 | - | NA | 4 | |
| | Transferred | Waste | t | 175 | 187 | NA | 362 | |
| | | Sewage | t | - | - | NA | - | |
| Waste | Reusable materials | | t | 79,307 | 29,257 | 28,794 | 137,358 | |
| | Recycled | | t | 60,012 | 6,913 | 1,227 | 68,152 | |
| | Intermediate processing by third party | | t | 453 | 1,452 | 7,095 | 9,000 | |
| | Direct landfill waste | | t | 1,097 | 265 | 2,541 | 3,903 | |
| | On-site storage | | t | - | - | 64 | 64 | |
| | Recycling rate | | % | 97 | 80 | 11 | 84 | |
| | Municipal waste | | t | 2,129 | 483 | NA | 2,612 | |
| | Industrial waste subject to special control | | t | 28,561 | 5 | NA | 28,566 | |
| Hazardous substances | PCB storage | Condensers | Units | 408 | 71 | NA | 479 | |
| | | Transformers | Units | 484 | 4 | NA | 488 | |
| | | Other | Units | - | - | NA | - | |

*1: Includes the performance of TIBC Corporation.

*2: VOC emissions were only tracked for painting lines through FY 2002. Since FY 2003, VOC emissions have been tracked in all processes.

■ PRTR-Designated Substances Released and Transferred (Domestic Production Facilities)

| Category | Ordinance No. | Chemical Substance | Amount Handled | Released Volume | | | | Transferred Volume | | | Volume Recycled | Volume Removed | Consumption Volume |
|--------------------------------------|--|--|----------------|-----------------|-------|----------------|---------|--------------------|--------|---------|-----------------|----------------|--------------------|
| | | | | Air | Water | Landfill waste | Total | Waste | Sewage | Total | | | |
| Toyota Industries, non-consolidated | 1 | Zinc compounds (water-soluble) | 18,652 | - | 1,572 | - | 1,572 | 2,158 | - | 2,158 | - | - | 14,921 |
| | 16 | 2-Aminoethanol | 4,384 | - | 14 | - | 14 | 4,364 | - | 4,364 | - | 6 | - |
| | 25 | Antimony and its compounds | 13,108 | - | - | - | - | 11 | - | 11 | - | - | 13,097 |
| | 30 | Bisphenol-A epoxy resin | 9,146 | - | 54 | - | 54 | 848 | - | 848 | - | 180 | 8,063 |
| | 40 | Ethylbenzene | 242,845 | 180,217 | - | - | 180,217 | 17,611 | - | 17,611 | 13,814 | 23,458 | 7,776 |
| | 43 | Ethylene glycol | 850,926 | 9 | - | - | 9 | - | - | - | - | 13 | 850,904 |
| | 44 | Ethylene glycol monoethyl ether | 2,561 | 1,034 | - | - | 1,034 | - | - | - | - | 1,527 | - |
| | 45 | Ethylene glycol monomethyl ether | 1,060 | 11 | - | - | 11 | 1,049 | - | 1,049 | - | - | - |
| | 63 | Xylene | 557,767 | 331,856 | - | - | 331,856 | 38,136 | - | 38,136 | 31,394 | 116,295 | 40,085 |
| | 68 | Chromium and chromium (III) compounds | 93,353 | - | - | 2,345 | 2,345 | 2,850 | - | 2,850 | 9,828 | - | 78,330 |
| | 176 | Organic tin compounds | 2,597 | - | 7 | - | 7 | 489 | - | 489 | - | 23 | 2,078 |
| | 177 | Styrene | 4,873 | 49 | - | - | 49 | - | - | - | - | - | 4,825 |
| | 207 | Copper salts (water-soluble, except complex salts) | 6,578 | - | 66 | - | 66 | 3,223 | - | 3,223 | - | - | 3,289 |
| | 224 | 1,3,5-trimethylbenzene | 41,920 | 33,029 | - | - | 33,029 | - | - | - | 6,593 | 2,298 | - |
| | 227 | Toluene | 326,005 | 131,138 | - | - | 131,138 | 34,974 | - | 34,974 | - | 101,655 | 58,237 |
| | 230 | Lead and its compounds | 3,855 | - | - | - | - | - | - | - | 2,570 | - | 1,285 |
| | 231 | Nickel | 32,131 | - | - | 268 | 268 | 379 | - | 379 | 5,460 | 1,936 | 24,087 |
| | 232 | Nickel compounds | 6,275 | - | 53 | - | 53 | 4,536 | - | 4,536 | - | 326 | 1,360 |
| | 272 | Ethylene glycol monoethyl ether | 5,184 | - | - | - | - | 104 | - | 104 | - | - | 5,080 |
| | 299 | Benzene | 6,470 | 74 | - | - | 74 | - | - | - | - | 4,336 | 2,060 |
| 304 | Boron and its compounds | 1,134 | - | 23 | - | 23 | 1,111 | - | 1,111 | - | - | - | |
| 307 | Poly (oxyethylene) alkyl ether (C-12-15) | 5,685 | - | 765 | - | 765 | 4,096 | - | 4,096 | - | 824 | - | |
| 309 | Poly (oxyethylene) nonylphenyl ether | 4,457 | - | 288 | - | 288 | 2,603 | - | 2,603 | - | 160 | 1,406 | |
| 310 | Formaldehyde | 25,925 | 16 | - | - | 16 | 25,909 | - | 25,909 | - | - | - | |
| 311 | Manganese and its compounds | 251,231 | - | 1,065 | 1,237 | 2,302 | 30,526 | - | 30,526 | - | - | 218,404 | |
| 346 | Molybdenum and its compounds | 61,232 | - | - | 268 | 268 | 56 | - | 56 | - | - | 60,908 | |
| Domestic subsidiaries and affiliates | 16 | 2-Aminoethanol | 7,217 | - | 17 | - | 17 | 7,106 | - | 7,106 | - | 93 | - |
| | 40 | Ethylbenzene | 2,239 | 2,239 | - | - | 2,239 | - | - | - | - | - | - |
| | 43 | Ethylene glycol | 1,252 | - | - | - | - | 1,252 | - | 1,252 | - | - | - |
| | 63 | Xylene | 27,762 | 24,188 | - | - | 24,188 | - | - | - | - | - | 3,574 |
| | 227 | Toluene | 35,357 | 31,053 | - | - | 31,053 | - | - | - | - | - | 4,304 |
| | 283 | Fluorine compounds, water-soluble chlorides | 193,317 | 580 | 1,353 | - | 1,933 | 179,979 | - | 179,979 | - | 11,406 | - |
| | 304 | Boron and its compounds | 3,240 | - | - | - | - | 3,240 | - | 3,240 | - | - | - |
| | 311 | Manganese and its compounds | 1,217 | - | - | - | - | - | - | - | 11 | - | - |
| 346 | Molybdenum and its compounds | 1,238 | - | - | - | - | 433 | - | 433 | - | - | 804 | |

■ Profiles of Subsidiaries and Affiliates Described in This Social & Environmental Report

| Company | Established | Capital | Employees | Major Businesses | Headquarters | Website |
|--|-------------|------------------------|-----------|---|---------------------------|---|
| TIBC Corporation | 1998 | 3,250 million yen | 257 | Manufacture and sale of plastic package substrate for IC cards | Aichi, Japan | http://www.tibc.co.jp/ |
| Kawamoto System Corporation | 1936 | 47 million yen | 60 | Manufacture and sales of textile machinery | Aichi, Japan | - |
| Hara Corporation | 1948 | 23 million yen | 130 | Manufacture and sales of textile machinery and parts | Gifu, Japan | - |
| ST Liquid Crystal Display Corp. | 1977 | 50,000 million yen | 937 | Manufacture of LCDs | Aichi, Japan | http://www.stlcd.co.jp/ |
| Aichi Corporation | 1962 | 10,425 million yen | 869 | Manufacture and sales of truck-mounted work platforms | Aichi, Japan | http://aichi-corp.co.jp/ |
| Sun River Co., Ltd. | 1940 | 150 million yen | 77 | Real estate leasing and management of sports and restaurant facilities | Osaka, Japan | http://www.amenity-esaka.com/ |
| Taikoh Transportation Co., Ltd. | 1943 | 83 million yen | 1,013 | Freight truck transport, vehicle transport, vehicle maintenance, warehousing, and sales of non-life insurance | Aichi, Japan | http://www.taikoh.co.jp/ |
| BT Industries AB | 1946 | 560 million SEK | 7,836 | Manufacture and sale of warehouse equipment | Mjölby, Sweden | http://www.bt-industries.com/ |
| Michigan Automotive Compressor, Inc. | 1989 | US\$146 million | 879 | Manufacture and sales of car air-conditioning compressors, pulleys, and magnet clutches | Michigan, U.S. | http://www.michauto.com/ |
| Kirloskar Toyota Textile Machinery, Ltd. | 1995 | 2,426.2 million rupees | 467 | Manufacture and sales of spinning frames and parts, manufacture and painting of vehicle parts | Bangalore District, India | - |
| Toyota Industrial Equipment Mfg., Inc. | 1988 | US\$60 million | 624 | Manufacture and sale of industrial vehicles and their components | Indiana, U.S. | - |
| Toyota Material Handling USA, Inc. | 2001 | US\$12.5 million | 162 | Sales of industrial vehicles | California, U.S. | http://www.toyotaforklift.com/ |

■ ISO 14001 Certification by Toyota Industries and Group Subsidiaries and Affiliates

| Category | Plant, Company | Location | Acquisition Date | Category | Company | Location | Acquisition Date | |
|--------------------------------------|---------------------------------|-------------------------|------------------|-----------------------|--|-------------------------|------------------|---------------|
| Toyota Industries domestic plants | Nagakusa | Obu, Aichi | October 1997 | Overseas subsidiaries | Toyota Industrial Equipment Mfg., Inc. | U.S. | June 1999 | |
| | Kariya | Kariya, Aichi | October 1998 | | Michigan Automotive Compressor, Inc. | U.S. | June 1999 | |
| | Takahama | Takahama, Aichi | December 1998 | | Toyota Industrial Equipment, S.A. | France | January 2001 | |
| | Hekinan | Hekinan, Aichi | November 1999 | | Toyota Industry (Kunshan) Co., Ltd. | China | October 2001 | |
| | Kyowa | Obu, Aichi | January 2000 | | Kirloskar Toyoda Textile Machinery, Ltd. | India | January 2002 | |
| | Obu | Obu, Aichi | March 2000 | | TD Deutsche Klimakomprssor GmbH | Germany | March 2002 | |
| | Higashiura*1 | Chita-gun, Aichi | March 2003 | | BT Industries AB | BT Products AB | Sweden (PT*2) | November 1997 |
| | Higashichita | Handa, Aichi | March 2003 | | | BT Raymond Corporation. | Canada | |
| Domestic subsidiaries and affiliates | TIBC Corporation | Obu, Aichi | January 2000 | | | U.S. | February 2001 | |
| | Tokyu Co., Ltd. | Niwa-gun, Aichi | November 2001 | | | | | |
| | ST Liquid Crystal Display Corp. | Chita-gun, Aichi | January 2002 | | | | | |
| | Nishina Industrial Co., Ltd. | Kamiminochi-gun, Nagano | January 2002 | | | | | |
| | Tokaiseiki Co., Ltd. | Iwata, Shizuoka | March 2002 | | | | | |
| | Taikoh Transportation Co., Ltd. | Kariya, Aichi | November 2002 | | | | | |
| | Izumi Machine Mfg. Co., Ltd. | Obu, Aichi | December 2002 | | | | | |
| | SKE Inc. | Nagoya, Aichi | March 2003 | | | | | |
| | Altex Co., Ltd. | Hamakita, Shizuoka | September 2003 | | | | | |
| | Mizuho Industry Co., Ltd. | Nagoya, Aichi | September 2003 | | | | | |
| | Kawamoto System Corporation | Kasugai, Aichi | November 2003 | | | | | |
| | Hara Corporation | Ibi-gun, Gifu | January 2004 | | | | | |
| | SK Maintenance Inc. | Kariya, Aichi | March 2004 | | | | | |
| | Iwama Loom Works, Ltd. | Niwa-gun, Aichi | April 2004 | | | | | |

*1 Obu Plant site was undergoing expansion during audit update.

*2 Powered truck (PT): refers to plant that only manufactures powered trucks.

*3 Manual truck (MT): refers to plant that only manufactures manual trucks such as hand pallet trucks.

■ FY 2003 Major Awards and Recognition

| Date | Award Sponsor | Description | Plant, Company | Areas of Recognition |
|---------------|--|--|---------------------------------|--|
| October 2003 | Japan Greenery Research and Development Center | Chairman's Award | ST Liquid Crystal Display Corp. | Achieved 45% greenspace ratio in harmony with surrounding natural environment |
| December 2003 | The Energy Conservation Center; Japan | Economy, Trade and Industry Minister's Award for Outstanding Energy Conservation | Nagakusa Plant | Eliminated washing from vehicle painting process; successfully reduced energy and water consumption |
| December 2003 | The Energy Conservation Center; Japan | Chairman's Award for Outstanding Energy Conservation | Higashichita Plant | Adopted plant-wide environmental strategy with stated goal of becoming the "world's best casting plant, friendly to people and the earth;" successfully reduced coke consumption in cupolas to conserve energy |
| November 2003 | Materials Processing Technology Center | Sokeizai Industry Environmentally Friendly Factory Award | Higashiura Plant | Adopted energy conservation measures for plant construction in harmony with surrounding environment |
| February 2004 | IBEC | Chairman's Award for Buildings that Conserve Energy and the Environment | Higashiura Plant | |

■ Correspondence with Japan's Environmental Reporting Guidelines (FY 2003 Version)

| Subject | Topic | Page |
|---|--|------------------------|
| 1. Background information | A. Preface on management responsibility | p.1 |
| | B. Relevant organizational structure, period, fields | Inside front cover p.2 |
| | C. Overview of business activities | p.3 |
| 2. Environmental conversion policies, objectives, and performance | A. Environmentally conscious policies relating to business activities | p.9, 12-13 |
| | B. Objectives, action plans, and performance of environmentally conscious activities relating to business activities | p.12-13 |
| | C. Input/output of materials used in business activities | p.10-11 |
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| 3. Environmental management system | A. Environmental management system | p.10-16 |
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| | C. Environmentally conscious technologies and other R&D | p.20-25 |
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| | E. Regulatory compliance | p.16 |
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| | C. Measures to reduce total water consumption | p.35-36 |
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| | K. Products and services with low environmental impact | p.24-25 |
| 5. Social contributions | | p.4-5, 40-52 |

Independent Review Report on the Social & Environmental Report 2004

(English Translation)

Independent Assurance Report

July 20, 2004

To: Tadashi Ishikawa
President, Toyota Industries Corporation

Objectives

We, ChuoAoyama Sustainability Certification Co., Ltd., have been asked to carry out a review of the Social & Environmental Report 2004 (the "Report"), which is the responsibility of Toyota Industries Corporation (the "Company"). The objective of this review is to express an independent opinion on:

- Whether the data collection and aggregation process used to compile the Report were conducted in a reasonable manner in accordance with the Company's policies and rules; and
- Whether the data and information included in the Report were consistent with the supporting documents obtained and tested during our review.

Basis of Opinion

Currently, there are no generally acceptable standards for assurance engagements of environmental reporting. Therefore, we have referred to emerging practices and guidance to perform this review.

Summary of Procedures Performed

We conducted review procedures at the Corporate Center and Business Support Center ("CO/BS"), the Nagakusa Plant and the Takahama Plant. Our review procedures are based on a test basis. Our opinion expressed in this report has its basis only within the scope of the review procedures we conducted. At CO/BS, we conducted the following procedures to assess the processes, used by CO/BS to compile the Report, of collecting and aggregating information reported from the sites in Japan, which includes:

- Analytical procedures;
- Inquiries of persons responsible for the preparation of the data both at CO/BS and the sites we visited; and

- Inspection of data obtained and reconciliation of the data to supporting documents filed both at CO/BS and the sites we visited.

At other sites, we conducted the following procedures to assess the processes, used by the sites to prepare reporting to CO/BS, of collecting and aggregating data reported from each department, which includes:

- Analytical procedures;
- Inquiries of persons responsible for the preparation of the data; and
- Inspection of data obtained and reconciliation of the data to supporting documents filed at each department.

Conclusion

On the basis of the above work, we have reached the following opinion:

- The data collection and aggregation processes used to compile the Report were conducted in a reasonable manner in accordance with the Company's policies and rules; and
- The data and information included in the Report were consistent with the supporting documents obtained and tested during our review, and no significant errors which should have been corrected were identified as a result of our test. There are no generally acceptable standards for environmental reporting, which we can refer to in performance of our review. Therefore, the Report is the responsibility of, and has been prepared voluntarily by, the Company. Also, this assurance report provides no opinion on the completeness of information items included in the Report.

ChuoAoyama Sustainability Certification Co., Ltd.
(ChuoAoyama PricewaterhouseCoopers Group)

If you have any questions or opinions regarding the content of this report or Toyota Industries' environmental conservation activities, please feel free to contact the Environmental Office of our Safety, Health & Environment Department.

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For information on our general business activities or earnings results, please visit our Website.

<http://www.toyota-industries.com>



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