

To contribute to solving issues in various industries and stay relevant in society, Toyota Industries aims to increase its corporate value further by performing our duties with integrity.

Koichi Ito
President



Implementing Three Reforms across the Entire Toyota Industries Group—Engine Certification Issue in Japan

Regarding the engine certification issue in Japan, I would like to express my deepest and sincerest apologies for causing great inconvenience to our customers, business partners, shareholders and many other stakeholders.

As detailed in Domestic Engine Certification Issue and Initiatives to Prevent Recurrence (see pages 12–15), we confirmed in March 2023 that there was a problem with our engine certification in Japan regarding emissions performance. We subsequently suspended shipments of applicable engines and lift trucks equipped with these engines. In response, we established a Special Investigation Committee consisting of independent third parties to uncover the root cause of the incident. On January 29, 2024, we announced the findings of this investigation and suspended shipments of additional engine models that were found to be problematic. We then reported our recurrence prevention measures to Japan’s Ministry of Land, Infrastructure, Transport and Tourism (MLIT) on March 22.

Throughout these issues, what we regret the most is that as Toyota Industries’ operations and corporate scale continued to expand, we failed to identify various deficiencies, such as failing to grasp changes in the environment; thinking through what we should do in step with the latest trends in laws, regulations and markets; and fostering the mindset and commitment to take relevant initiatives and make appropriate responses. We also failed to properly allocate the necessary personnel, tools and funds because we did not accurately and sensitively recognize the changes in the tightening of exhaust gas regulations for industrial vehicle engines. We failed as an organization to attend to small-scale businesses and functions with less authority and understand the concerns and hardships of the factory floor and workplace. Lastly, we have failed to recognize the problem, speak up and quickly address it.

In working to prevent a recurrence, we will go back to the basics, which are to contribute to society through superior technologies and products to solve issues and concerns that various industries face and make a concerted commitment to three reforms in terms of “culture,” “mechanism” and “organization/system” to do the right thing in the correct way. I would like to ask all stakeholders for their continued support.

Review of Fiscal 2024—Recognizing Changes in the Environment and Responding to Customer Needs

Looking back on fiscal 2024, business sentiment was favorable, particularly in developed countries, even amid an uncertain economic and geopolitical outlook. Toyota Industries maintained strong production and sales in both the Automobile Segment and the Materials Handling Equipment Segment, posting record-high consolidated net sales and operating profit.

In the Automobile Segment, production of the RAV4 remained at a high level, while production mainly of gasoline engines continued to be strong despite a decrease in diesel engine production due to the impact of the domestic engine certification issue. Unit sales of electric car air-conditioning compressors and bipolar nickel-metal hydride batteries for hybrid electric vehicles (HEVs) trended upward as the electrification of cars continued to accelerate. In the Materials Handling Equipment Segment, sales of lift trucks decreased due to the impact of the domestic engine certification issue, but after-sales services and sales of parts were favorable. In the Logistics Solutions Business, with increased orders driven by a recovery in investments in warehouse logistics and solid airport-related investment, we further strengthened our business by facilitating collaboration with our U.S. and

European subsidiaries engaging in logistics solutions operations.

We were able to achieve solid results because our customers in various countries and businesses have selected the Toyota Industries Group’s products and services. Going forward, we will remain highly perceptive of the many changes in the environment and promote our business operations through careful and quick measures so that we can continue to be of service to our customers.

Efforts to Date to Increase Corporate Value

Toyota Industries was established in 1926 to manufacture and sell the Type G automatic loom invented by our founder, Sakichi Toyoda. Two years away in 2026, we will celebrate our centennial. Since our founding, we have diversified our business domains by commencing the manufacture of lift trucks and car air-conditioning compressors and undertaking vehicle assembly. Since 2000, our Materials Handling Equipment Business has been expanding business through various means, including strategic M&As. This expansion began with our efforts to strengthen the lift truck business by welcoming BT Industries as a subsidiary and taking over Toyota Motor Corporation’s industrial equipment sales division, becoming responsible for both production and sales. Subsequently, Netherlands-based Vanderlande Industries Holding B.V. and U.S.-based Bastian Solutions LLC joined the Toyota Industries Group as subsidiaries, strengthening our overall logistics solutions capabilities. During this time, we have been continuously expanding our business domains with the warm support of numerous stakeholders, including customers, business partners and shareholders.

We will harness our strengths built up through these measures to make meaningful contributions in a society where styles and values continuously evolve.

The first field of our strengths is our contribution to the mobility field, centered on automobiles.

Regarding units and components essential for mobility, such as car air-conditioning compressors and electronic devices, Toyota Industries has won the trust of numerous automakers not just for the superb quality and performance of these products but also for its flexible supply structure and support capabilities. Our pursuit and efforts to improve net working hours in the production process, coupled with environmental efficiency and a strong commitment to cost-conscious manufacturing, are linked closely to our human resources development.

The second is solutions.

Toyota Industries has supported logistics operations of a wide variety of industries in all corners of the world by mainly offering lift trucks but also transportation equipment and storage and retrieval systems. In the field of logistics solutions, we will further strengthen our competitiveness by leveraging our expanding value chain that encompasses sales and services based on our manufacturing capabilities and human resources cultivated in the mobility field and our experiences in pursuing highly reliable mass-produced products.

Direction of Medium-Term Growth—Mobility and Solutions


Toyota Industries has worked to increase value in each business under Vision 2030, which was formulated in 2019. I would like to explain our initiatives that focus on the milestone period from 2026 to 2027.

To achieve sustainable growth, we will first steadily promote efforts to extensively strengthen our compliance system. We will work to reinforce foundations for developing the mechanisms and human resources necessary to ensure the implementation and continuity of these efforts by proactively leveraging IT and digital technologies.

Major Initiatives of FY2020–FY2024


■ Electrification

Production capacity of 10 million electric compressors
Development and commercialization of on-board batteries
Development of integrated power source units




■ Fuel cell (FC)

Development of FC air compressors and hydrogen circulation pumps
Development of general-purpose small FC modules
Expanded lineup of FC lift trucks and towing tractors



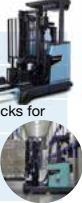
■ Textile machinery

New JAT910 air-jet looms




■ Autonomous driving

Feasibility testing of autonomous towing tractors
Test trial of autonomous towing tractors to carry baggage
Development and sale of autonomous lift trucks for truck loading and unloading
Feasibility testing of autonomous lift trucks for use in refrigerated warehouses
Release of logistics automation systems for e-commerce sector



■ Strengthening business and expanding the value chain

Acquisition of viastore, a logistics systems integrator
Acquisition of Lift-Tek, which manufactures and sells lift truck masts



In **mobility-related fields**, our top priority will be to first address the domestic engine certification issue. At the same time, in contributing to the electrification of vehicles, we will secure supply capacity for electric compressors, which are in growing demand, and actively promote R&D in next-generation models to provide attractive products that meet the needs of carmakers around the world. Additionally, we will grow our businesses and enhance profitability by advancing into new fields, including car electronics products and bipolar nickel-metal hydride batteries for HEVs. These batteries utilize our proprietary material and production technologies, which will also be applied to develop materials for hydrogen generation devices.

In **solutions-related fields**, various industries are facing major changes, such as work style reforms, including a serious shortage of truck drivers in Japan, and shifts in the workforce composition. We will accelerate initiatives for resolving such issues. With increasingly diverse and complex needs at various-sized logistics sites in countries and regions around the world, there is heightened importance to building systems that incorporate automation technologies and cutting-edge environmental technologies. Through M&As and other means, Toyota Industries will further enhance the comprehensive strengths of its products, fortify its business capabilities and increase its corporate value.

Possessing both mobility-related business and solutions business serves to mutually enhance the respective strengths. We will work to blend knowledge and experience in automation and software development in each of these business fields, including manufacturing-related human resources, approaches and technologies. By doing so, we seek synergistic effects in electrification, fuel cells and other hydrogen-related areas, as well as digital and AI technologies, to diversify our own domains and grow them into sound businesses. Since our founding as a textile machinery company, we have passed on the aspiration to contribute to solving customers’ issues and continue to be needed by society. To maintain such a presence, we will leverage our past relationships with various industries and customers as valuable assets to expand the field of solutions beneficial to customers and society and evolve the functions of our services.

Further Enhancing Corporate Value

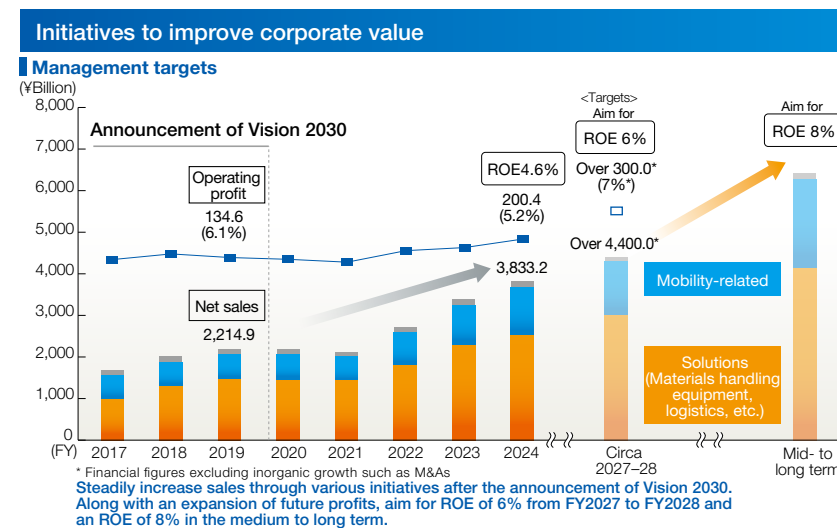
As a target for the next three years, Toyota Industries aims to achieve a return on equity (ROE) of 6% by fiscal 2027 or fiscal 2028 and raise it further over the medium to long term. To attain this vision, first, we will strengthen our earnings power. By achieving growth and improving profitability in our existing businesses, we aim to record operating profits exceeding ¥300 billion in three years and plan to increase inorganic profits in the solutions field and other areas to improve R (return/profit). Meanwhile, we will also reduce our cross-shareholdings and strengthen shareholder returns such as dividends and purchase of treasury stock to reduce E (equity). In this way, we will steadily advance our efforts on both the R and E aspects to achieve our vision.

Additionally, we plan to spend a total of about ¥1.5 trillion over the next three years on investments that will serve as a source for future growth and a stronger foundation. First, we will allocate approximately ¥0.7 trillion for infrastructure investments. These will be directed at achieving sustainable growth, such as building the mechanism for compliance, human resources development and manufacturing, as well as reinforcing production facilities, IT infrastructure, R&D and other capabilities. Other targets of investments are in the areas of strengthening manufacturing in the mobility field and Textile Machinery Business that we have nurtured to date, solidifying on-site capabilities to maintain a customer perspective and adhere to the principle of *genchi genbutsu* (go and see for yourself) and steadily strengthening product development. Besides these, we will make growth investments of about ¥0.8 trillion. These will be spent on accelerating growth, mainly in the Logistics Solutions Business, such as making internal investments, developing the value chain and utilizing proactive M&As to realize the next generation of growth.

We will also focus on the generation of funds. Besides annual operating cash flows generated by each business, we will consider securing large amounts of funds through the effective use of assets, such as by significantly reducing cross-shareholdings. In principle, we will not own cross-shareholdings unless there is a rational reason to do so. For other shares not deemed to be cross-shareholdings, we will carefully examine them in the context of rationality and advantages from a management perspective.

For shareholder returns, we expect to return approximately ¥0.7 trillion over the next three years with heightened awareness of shareholder expectations. To the present, we have paid a continuous and stable dividend with a consolidated dividend payout ratio of approximately 30%. Along with these stable dividends, we intend to actively buy back treasury stock.

By implementing these initiatives, we aim to execute management with an even greater awareness of ROE and share price. We will also proactively work to disseminate information and engage in dialogue with the market to meet expectations and earn the confidence of our stakeholders and society.



Promoting ESG Management and Building a Foundation Essential for Sustainable Growth

In working to increase corporate value in the medium to long term, we must further strengthen management from the environmental, social and governance (ESG) perspectives. As a prerequisite for contributing to solving social issues in sustainability and environmental aspects, we will first make unprecedented efforts to strengthen and advance our corporate governance. While proceeding with efforts to prevent the recurrence of the engine certification issue in Japan, we will particularly emphasize the importance of promoting compliance. As a first step, we have separated the Compliance Committee from the CSR Committee. With the Global Chief Compliance Officer serving as chairman, the committee consists of the president, executive vice president, heads of business divisions, chief officers, Head Office-based executives and compliance officers from outside Japan and is tasked with administering various initiatives to gain the trust of all stakeholders from a global perspective.



Regarding our environmental initiatives, we seek to further promote efforts to achieve carbon neutrality through the introduction of environmental technologies in our production processes and the development, production and sale of environmentally conscious products. Moreover, in keeping with the Toyota Industries Group Sustainability Policy, we will work to respect human rights, promote diversity and build an advanced risk management system. In our efforts to further strengthen our corporate foundation, we will also proceed with digital transformation and utilize AI to promote business efficiency and sophistication of services to customers.

In Conclusion—To Meet the Expectations of Our Stakeholders

Toyota Industries will strive to contribute to making the earth a better place to live, enrich lifestyles, and promote a compassionate society by supporting industrial and social infrastructure around the world through the continuous supply of products/services that anticipate customers' needs. To achieve this, we will first go back to the basics and promote initiatives to do the right thing in the correct way. Furthermore, to attain sustainable growth, we will prioritize safety; create a work environment where diverse people from various backgrounds can work enthusiastically and fully demonstrate their abilities; and develop human resources who can play active roles and make meaningful contributions globally.

We look forward to your continued understanding and support as we endeavor to implement these initiatives.