

A Message from the President



Dear Shareholders:

On June 22, 2005, I assumed the duties of president of Toyota Industries. Since its founding, Toyota Industries has consistently surmounted numerous obstacles to attain steady growth in its business results. This achievement can be attributed to the strenuous efforts of a long line of top management leaders, the dedication of employees, the patronage of customers and the support of shareholders and members of local communities. Of particular significance, Toyota Industries achieved remarkable advances during the six years of leadership by my predecessor, Mr. Ishikawa.

I consider it an honor to be entrusted with the crucial task of taking over the reins of management at Toyota Industries. I will dedicate my fullest efforts to ensuring the ongoing development of Toyota Industries, work to motivate employees, contribute to local communities, provide customers with even better products and services and, above all, uphold the crucial responsibility of maintaining the confidence of shareholders and meeting their expectations.

Building upon our success and momentum, I am determined to continue to lead Toyota Industries on a path to further growth.

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Business Results for Fiscal 2005

Adverse factors affecting the business environment during fiscal 2005, ended March 2005, included soaring prices for crude oil, steel and other raw materials, as well as a series of natural disasters such as the Niigata-Chuetsu Earthquake in Japan. Nevertheless, the Japanese economy attained a mild recovery underscored by increased corporate capital investment and improved employment conditions. Smooth expansion of the U.S. and Chinese economies in turn contributed to a steady recovery of the global economy.

Under these economic conditions, Toyota Industries posted excellent business results, as reflected by record-high net sales and earnings. Consolidated net sales amounted to ¥1,241.5 billion, an increase of 6.6% from the previous fiscal year. Consolidated operating income edged up 0.9% to ¥53.1 billion, as the rise in net sales and the effects of cost reductions compensated for higher raw materials prices and increases in expenses for depreciation and production preparations in the Automobile Segment. Consolidated ordinary income increased 20.3% to ¥70.9 billion, due to an increase in equity in net earnings of affiliated companies and a rise in dividends income. Net income amounted to ¥43.4 billion, an increase of 29.0%.

Continued Favorable Results in Each Segment

Despite some variances in the results (net sales and operating income) for each business segment, overall results remained at a high level. A summary of business results by segment is as follows.

Note: Segment net sales figures do not include intersegment transactions. However, segment operating income figures do include operating income (loss) arising from intersegment transactions.

Automobile Segment

The Automobile Segment, comprising vehicles (automobile assembly), engines, car air-conditioning compressors and other businesses (including foundry parts and electronic components for automobiles), is Toyota Industries' largest business segment and accounts for 49.6% of consolidated net sales. In fiscal 2005, net sales of this segment increased 2.0% from the previous fiscal year to ¥616.2 billion. The increase mainly reflected growth in sales of CD diesel engines for Europe, favorable sales of DC-DC converters fitted in the latest Prius and higher sales of foundry parts. On the other hand, operating income decreased 17.3% to ¥22.8 billion. The decline resulted mainly from the effects of an increase in expenses for depreciation and production preparation accompanying a full model change of the Vitz (Yaris in Europe) in the Vehicle Business and the introduction of new products in the Engine Business.

Materials Handling Equipment Segment

The Materials Handling Equipment Segment mainly engages in the manufacture and sales of counterbalanced lift trucks, warehouse trucks, automated storage and retrieval systems, and automatic guided vehicle systems, as well as special-purpose vehicles such as aerial work platforms. Net sales by the Materials Handling Equipment Segment amounted to ¥504.0 billion, an increase of 13.7% from the previous fiscal year. This increase was fueled by significant rises in sales by both TOYOTA Material Handling Company (TMHC) and the BT Industries Group, which make up the core of this segment, amid an expanding global economy. Strong performance of Aichi Corporation, which manufactures and sells aerial work platforms, also contributed to favorable results. Operating income increased 34.8% to ¥26.1 billion.

Textile Machinery Segment

The Textile Machinery Segment manufactures and sells spinning-related machinery centering on ring spinning frames and weaving-related machinery such as air-jet looms. Toyota Industries has engaged in this business since its founding, and is one of the world's leading manufacturers of air-jet looms and spinning machinery.

Net sales by the Textile Machinery Segment amounted to ¥43.9 billion during fiscal 2005, a decline of 4.5% from the previous fiscal year. This decrease was due primarily to a lull in sales of weaving-related machinery to China, a principal market, as well as the effects of a tighter monetary policy in the country. This segment posted an operating loss of ¥0.8 billion, a decrease of ¥0.9 billion from the previous fiscal year.

Others Segment

This segment consists of the Electronics Business, the Logistics Solutions Business and other businesses. TIBC Corporation (TIBC), a joint venture with Ibiden Co., Ltd. to manufacture semiconductor package substrates, is included in the Electronics Business. Although this segment is made up mainly of businesses that are still relatively small in scale, we regard these as strategic businesses that will serve as future pillars of growth.

Net sales of the Others Segment amounted to ¥77.4 billion, an increase of 8.9% over the previous fiscal year. This gain was due mainly to the addition of a subsidiary newly established in the logistics solutions field as a joint venture and to solid results of TIBC and the Taikoh Transportation Group, which is involved in transportation and other logistics businesses. Operating income decreased 8.8% to ¥5.2 billion.

Business Outlook for Fiscal 2006

In fiscal 2006, ending March 2006, the Japanese economy is expected to post a mild recovery while the economies of such principal countries as the United States and China are forecast to record stable expansion. Nevertheless, concerns about such risks as continued high crude oil prices and rapid adjustments in exchange rates preclude optimism.

Amid this environment, for fiscal 2006 Toyota Industries forecasts a 16.8% rise in consolidated net sales to ¥1,450.0 billion. This projection arises from an expected increase in sales in the Materials Handling Equipment Segment. Also, the Vehicle Business is anticipated to record favorable sales of the Vitz (Yaris in Europe), which underwent a full model change in February 2005, and the Engine Business has just started production of new diesel engines. We expect that Group-wide cost-reduction activities, coupled with measures to enhance earnings, will support a 5.8% rise in ordinary income to ¥75.0 billion, despite a rise in depreciation expenses in the Automobile Segment. We forecast a 3.8% rise in net income to ¥45.0 billion.

Note: The financial projections set forth above are based upon a number of assumptions and estimates that, while presented with numerical specificity and considered reasonable when taken as a whole, are inherently subject to significant economic, business, competitive, regulatory and operational uncertainties, contingencies and risks, many of which are beyond our control. Financial projections are necessarily speculative in nature, and it can be expected that one or more of the assumptions underlying the projections will prove not to be valid, and unanticipated events and circumstances are likely to occur. In such a case, actual results will vary from the financial projections and those variations may be material. Consequently, this report should not be regarded as a representation by us or any other person that the financial projections will be achieved. Current negative market trends in the global economy make it particularly difficult at present to predict product demand and other related matters.

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Aiming for Sustainable Growth

Toyota Industries aims for sustainable development of all its businesses over the medium and long term. In line with this objective, we will expand our mainstay Materials Handling Equipment Segment and Car Air-Conditioning Compressor Business by strengthening cost competitiveness and technologies. In particular, the Materials Handling Equipment Segment is moving ahead with further integration of TMHC and the BT Industries Group under the Toyota Material Handling Equipment Group to attain enhanced synergies. We will strive to increase our presence in the Vehicle and Engine businesses as we contribute to Toyota Motor Corporation's (TMC) global strategy. Specifically, we will get production of diesel engines on track at Toyota Motor Industries Poland Sp.zo.o., a joint venture with TMC that began operations in March 2005. And finally, we will strive to undertake full-fledged initiatives to grow our Logistics Solutions and Electronics businesses into core businesses of the future. Other measures include pursuing the further globalization of our businesses, implementing thorough quality control, promoting cost-reduction measures and stepping up the cultivation of human resources who are skilled in the Toyota Production System—the wellspring of our competitiveness.

We are currently working on a new medium-term management vision that will embody our thinking and the directions we will pursue over the five years from fiscal 2007, ending March 2007. We will unveil the new management vision in detail at a future date.

Looking toward the Future

In April 2005, we held the Toyota Industries World Convention 2005, which brought together numerous TOYOTA and BT lift truck dealers and distributors from all over the world. Held in Kyoto and other locations, this marked the second such event since 2001. The slogan of the 2005 convention was “United We Grow,” which is also the theme of this year's annual report. The slogan aptly expresses the solidarity of TMHC and

the BT Industries Group, the two vital components of the Materials Handling Equipment Segment. It indicates our intention to realize further growth supported by strengths befitting the world's leading company in this field. I believe the "United We Grow" slogan also transcends the Materials Handling Equipment Segment and symbolizes the future direction of the entire Toyota Industries Group. Moreover, the slogan embodies our strong intention to create new value by facilitating further collaboration within the Toyota Industries Group, creating synergies via the organic interaction among the Group's business divisions, and promoting stronger relationships with shareholders, customers, members of the local community and other stakeholders.

Since its establishment, Toyota Industries has been a company with a passion for *monozukuri* (literally means "creating things," but it implies a philosophy that recognizes the value of the innovative creation of quality products). In time, our non-manufacturing businesses such as the provision of services and solutions are expected to account for an increasing proportion of our total business. Even in these new business fields, I am confident that we can skillfully and effectively apply our "spirit of *monozukuri*"—developing products utilizing our ingenuity and making improvements. As we promote diversification of our businesses, this spirit handed down by our predecessors remains a vital source of our superior competitiveness for both the current and the next generation.

The management team of Toyota Industries—your company—regards its most vital mission as ensuring the further growth of the Toyota Industries Group. In other words, we seek to enhance our long-term, stable earnings power and create even higher corporate value. To do so, we will carry out dynamic and strategic business operations while establishing more efficient company management systems, attaining stable growth in businesses and steadily improving our business results. Toyota Industries is a conglomerate that has diversified its businesses into a wide range of fields throughout its history. By strategically and organically combining management resources that are the source of its competitive edge—namely the know-how, key technologies, human resources and markets cultivated by each business—Toyota Industries can realize a "conglomerate premium," whereby we create value so the worth of Toyota Industries as a whole adds up to more than the sum of individual businesses.

As we work to earn the trust of society as a good corporate citizen, we will also undertake a host of environmental protection and social contribution activities. Concurrently, we will earnestly promote compliance and corporate governance initiatives.

To sustain the growth of your company in the future, the new management team is committed to taking timely and appropriate measures that will enable us to earn your trust and respond flexibly to continually changing markets and management environments as well as maintain our competitive edge.

I ask you for your continued understanding and support.

August 2005



Tetsuro Toyoda
President