

Letter to Shareholders



Tadashi Ishikawa
Chairman

Tetsuro Toyoda
President

Celebrating Our 80th Anniversary

On November 18, 2006, Toyota Industries marked a momentous milestone when the Company celebrated the 80th anniversary of its founding. Our achievements have been made thanks to the loyal patronage of customers, devotion of employees, understanding of local communities and the support of our shareholders, all of whom we wish to express our deepest appreciation.

Looking back over the past 80 years, there have been numerous turning points. However, throughout the past eight decades, Toyota Industries has successfully attained business diversification and achieved steady growth by continuously inheriting the “Venture Spirit” and the spirit of the Toyota Production System (TPS) across all generations of employees.

In realizing our 2010 Vision, “Undisputed No.1 — United We Grow,” which we announced in 2005, as well as achieving the targets of the Medium-Term Management Plan, our legacy of superior competitiveness on which our operations are built is unwavering. Further, all employees are committed to maintaining an awareness of “fundamentals for further growth” as well as executing each business strategically.

Measures toward Fundamentals for Further Growth

Looking to the future, we will maintain our utmost efforts to attain further growth. To realize this objective, we must firmly focus on the fundamentals for further growth and raise corporate value. Specifically, the following five fundamentals are frequently emphasized inside the Company.

1. Fair and Sincere Corporate Culture

Regarding the first fundamental, a fair and sincere corporate culture, it goes without saying that thorough enforcement of compliance is essential. Toyota Industries regards compliance as more than mere legal compliance. We believe that this also encompasses sincere respect for cultures and local customs in accordance with changes in the times. Using every means and opportunity, the importance of compliance and strengthening of corporate governance structures is emphasized repeatedly to all employees. Additionally, we have created and issued code of conduct guidelines and have implemented these throughout the Group.

Under such guidelines, we have set up the Corporate Code of Conduct Committee and are employing PDCA (Plan-Do-Check-Action) processes. With this committee serving as a main pillar, we are concentrating on further improving our compliance mechanisms. Through responsible subcommittees, we undertake compliance audits and inspections for business operations, including domestic and overseas subsidiaries. This enables us to further raise the level of our compliance.

We will continue to firmly maintain our fair and sincere corporate culture.

2. Environmental Management

Today, undertaking environmental initiatives has become a top priority for corporate management. At Toyota Industries, we have been building environmental management systems since 1996.

Our Global Environmental Commitment, which is targeted at all consolidated subsidiaries worldwide, is currently shared by every employee, as we work to attain the goals of our publicly announced Environmental Action Plan.

As a prime example of such efforts, we attained all numerical targets in the seven categories of our five-year Third Environmental Action Plan in fiscal 2006. This included

reducing CO₂ emissions by 5% compared with fiscal 1991 levels and total emission volumes of targeted PRTR (pollutant release and transfer register) substances by 50% compared with fiscal 1999 levels.

In accordance with the newly announced Fourth Environmental Action Plan, we will continue to introduce ecological products into the market and reduce the environmental load at every stage of operations from development to production, sales and service.

3. Safety First

Safety is also a very important keyword for us. Regarding safety first, the Toyota Group adheres to the watchwords “safe operations is the first step of all operations.” Thoroughly reinforcing this fundamental is contingent on implementing



On-site inspections by top management

on-site safety inspections of actual products by everyone, including senior and top management, throughout the Toyota Industries Group.

4. Unwavering Pursuit of Quality and Cost Reduction

Quality and costs represent the lifeline for *monozukuri* (literally meaning “creating things” but it implies a philosophy that recognizes the value of the innovative creation of quality products). All employees must strive to keep quality and cost foremost in their minds every day. In particular, we are making our utmost efforts to strengthen initiatives for quality.

There tends to be numerous instances of major quality problems occurring at the design stage. While the growing use of 3D CAD has

enhanced convenience, a drawback is that this will also result in a tendency to forget the fundamentals if we force young employees to design using 3D CAD from the beginning



Drafting training

of their careers. As an example of how we go back to the fundamentals, we provide engineers with drafting training, which represents the starting point of design.

Based on TPS and Total Quality Control, we will make honest, steady and relentless efforts to improve quality, reduce costs and eliminate waste. Additionally, top management will make even greater efforts in leading on-site quality and cost inspections of actual products.

5. Human Resource Development and Enhancement of Team Strengths

In addition, these four fundamentals are supported by a fifth pillar, namely people, or in other words, human resources development and enhancement of team strengths. Toyota Industries believes the essence of *monozukuri* is human resources development. This means that excellent products are not possible without excellent people.

Human resources development requires that we take measures in a variety of areas, such as improving specialized techniques and management skills. In addition to drafting training, we are also implementing



Technical Training Center

a program that provides on-site workers with thorough training of basic operations at the Technical Training Center.

On the other hand, close communication is crucial for strengthening our organizational strengths and bringing out these strengths to the fullest. We are also devoting efforts to fostering a culture in which employees can easily get together to candidly discuss matters.

At the same time, cultivating personnel to lead the next generation and augmenting team strengths under a strong leadership are vital themes that will determine the competitiveness of the Toyota Industries Group 10 and 20 years down the road.

Aiming to Attain the Medium-Term Management Plan

In the latter half of 2005, Toyota Industries formulated the new Medium-Term Management Plan and set our targets of

consolidated net sales exceeding ¥2,000 billion and ordinary income of ¥140 billion by fiscal 2011, the fiscal year ending March 31, 2011.

To attain our targets, we strive to execute strategic management strongly premised on these five fundamentals for further growth. In other words, with these fundamentals, we are confident Toyota Industries can realize medium-term growth and its targets. Furthermore, we will perpetuate a strong and successive management team by fortifying our foundations and passing on our spirit to the next generation, in addition to resolutely adhering to *monozukuri* and sound business operations.

Record-High Business Results

Fiscal 2007 is the first year of the new Medium-Term Management Plan. We are pleased to report that Toyota Industries achieved excellent results for the first half of fiscal 2007 (the six months ended September 30, 2006), as highlighted by all-time-high interim consolidated net sales and profits as well as increases in net sales, operating income and ordinary income for the seventh consecutive year. These financial results have put us firmly on track toward attaining our medium-term targets.

During the first half of fiscal 2007, the Japanese economy continued on a steady path to recovery as private-sector capital investment increased on the back of solid corporate earnings. Consumer spending gradually improved as well. Overseas, the overall economic outlook remained positive, with the U.S. and European economies expanding and the Chinese economy sustaining a high level of growth.

In this operating environment, Toyota Industries posted total consolidated net sales of ¥913.1 billion, an increase of 31%, compared with the first half of fiscal 2006 (the six months ended September 30, 2005). Consolidated operating income increased 25% to ¥40.1 billion. Consolidated ordinary income increased 29% to ¥53.5 billion, and consolidated net income increased 21% to ¥30.3 billion. Despite the effects of a rise in raw materials costs and increases in depreciation and personnel expenses, this increase was achieved due largely to an increase in net sales, cost-reduction activities and an increase in non-operating income. A summary of operating results by business segment follows.

Note: Segment net sales figures do not include intersegment transactions.

Automobile Segment

Net sales of the Automobile Segment totaled ¥431.0 billion, an increase of ¥93.3 billion, or 28%, over the first half of fiscal 2006.

Within this segment, net sales of the Vehicle Business totaled ¥222.3 billion, an increase of ¥67.6 billion, or 44%, over the first half of fiscal



RAV4

2006. Sales of the RAV4, which underwent a full model change in November 2005, were strong in both the U.S. and European markets. Overseas, sales of the Vitz (Yaris overseas) also increased.

Net sales of the Engine Business totaled ¥80.1 billion, an increase of ¥14.7 billion, or 23%, over the first half of fiscal 2006. This increase was due largely to increases in sales of KD diesel engines for Toyota Motor Corporation's (TMC) Innovative International Multi-Purpose Vehicle (IMV) Project, as well as AD diesel engines fitted in the RAV4 for Europe.

Net sales of the Car Air-Conditioning Compressor Business totaled ¥113.1 billion, an increase of ¥8.1 billion, or 8%, over the first half of fiscal 2006. Although sales in Japan and North America were approximately the same level as for the first half of fiscal 2006, sales in the European and Chinese markets increased. In April 2006, TD Automotive Compressor Kunshan, Co., Ltd., which was established as a joint venture to meet expanding demand in China, started production of fuel-efficient variable-displacement car air-conditioning compressors.

Materials Handling Equipment Segment

Net sales of the Materials Handling Equipment Segment totaled ¥388.3 billion, an increase of ¥106.7 billion, or 38%, over the first half of fiscal 2006. This increase was a result of robust sales overall on the back of a strong global economy. During the period, Toyota Industries strove to enhance its global sales network and implemented vigorous sales promotion activities. The effect of a change in the fiscal year-end of the BT Industries Group comprising Toyota Industries subsidiaries, along with strong sales of Aichi Corporation, also contributed to the increase. In September 2006, Toyota Industries commenced sales of the new GENE0 (8-Series overseas), its mainstay model 1- to 3.5-ton internal combustion lift trucks, which underwent a full model change. In an effort to provide even greater product value, Toyota

Industries developed the new lift truck featuring higher levels of performance in the areas of safety, environmental attributes and ease of operation.

Logistics Segment

Net sales of the Logistics Segment totaled ¥39.9 billion, an increase of ¥9.2 billion, or 30%, over the first half of fiscal 2006. Toyota Industries focused on expanding the Logistics Solutions Business to reduce customers' logistics costs.

Textile Machinery Segment

Net sales of the Textile Machinery Segment totaled ¥27.5 billion, an increase of ¥3.4 billion, or 14%, from the first half of fiscal 2006. This increase was attributable mainly to strong sales of air-jet looms, our flagship product. Sales of spinning machinery were approximately the same level as for the first half of fiscal 2006.

Forecast for the Fiscal Year Ending March 31, 2007

Toyota Industries expects the global economy to continue expanding. Uncertainties persist, however, regarding fluctuations in oil prices and the direction of the U.S. economy. In this operating environment, we will solidify the fundamentals for further growth and take our utmost efforts to achieve our targets for fiscal 2011.

For fiscal 2007, Toyota Industries forecasts consolidated net sales of ¥1,800.0 billion, operating income of ¥76.0 billion, ordinary income of ¥95.0 billion and net income of ¥53.0 billion. Our projections are based on an exchange rate of ¥115.0=US\$1.

In closing, we ask our shareholders for your continued understanding and support.

December 2006



Tadashi Ishikawa
Chairman



Tetsuro Toyoda
President