

**Tadashi Ishikawa**  
Chairman

**Tetsuro Toyoda**  
President

## Letter to Shareholders

The fiscal year ended March 31, 2007 (fiscal 2007), was an important year for Toyota Industries in two major respects. First, we reached a milestone by marking the 80th anniversary of our founding, and second, we initiated our new Medium-Term Management Plan announced in fall 2005.

In reflecting back on the past 80 years, our history can be characterized by our consistent dedication to manufacturing. The Toyoda Type G automatic loom (weaving machine) completed in 1924 by company founder Sakichi Toyoda was significant because this weaving machine was able to quickly detect breaking of yarn during the weaving process and automatically stop operating. The development of this weaving machine highlighted a strong desire to eliminate waste and avoid sending defective goods to post-processes. Guided by this thinking, which represents Toyota Industries' origins, together with the spirit of "contributing to society through manufacturing," which has been handed down through successive generations, we have steadily broadened the scope of

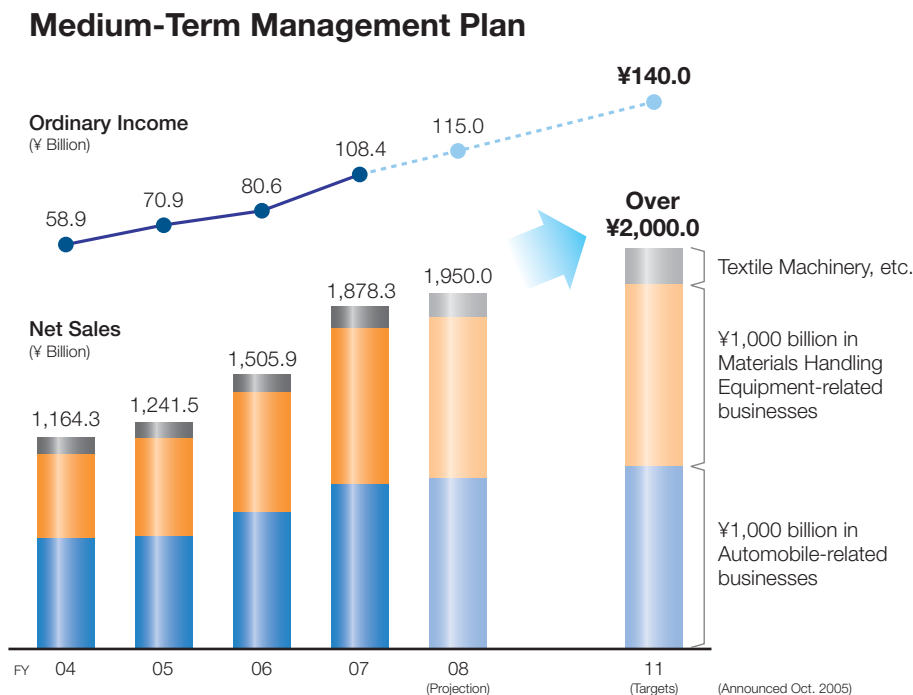
our business over the years from textile machinery to such domains as vehicles, automotive parts, materials handling equipment and electronics.

Toyota Industries' businesses today are extensions of these domains, in which we have compiled many achievements.

## New Medium-Term Management Plan Gets Off to a Smooth Start

The underlying objectives of Toyota Industries' new Medium-Term Management Plan are to spur further growth and raise corporate value. In tandem, our Vision 2010 embodies our aspirations for the type of company we seek to be in 2010. Under this vision, Toyota Industries is striving to enhance our team strengths and spirit across all businesses and generations and in turn promote the development of advanced technology and strengthening of our value chain while also fostering change, with the goal of becoming "Undisputed No. 1." Regarding financial targets for fiscal 2011, the Medium-Term Management Plan aims for consolidated net sales of more than ¥2,000 billion and ordinary income of ¥140.0 billion as of the end of fiscal 2011.

Fiscal 2007 marked the first year of our new Medium-Term Management Plan and thus was an extremely important year in getting off to a smooth start and firmly on track toward realizing our targets. Consolidated net sales amounted to ¥1,878.3 billion, an increase of ¥372.4 billion, or 24.7%, over the previous fiscal year. At the profit level, operating income increased ¥25.9 billion, or 40.5%, to ¥89.9 billion, and ordinary income increased ¥27.8 billion, or 34.5%, to ¥108.4 billion,



as an increase in depreciation expenses and rising prices of raw materials were offset by increased net sales and the effects of cost-reduction efforts. These figures represent record highs and mark our eighth consecutive year of increased net sales and ordinary income.

## Implementation of Strategies for All Business Segments Firmly Underway

Solid execution of medium-term strategies and forward-looking initiatives in our main businesses resulted in strong performances in fiscal 2007. Specific measures implemented in these segments are outlined below.

### Materials Handling Equipment Segment

We anticipate that the global market for lift trucks will experience mild growth overall. Sharp growth is expected particularly in emerging economies such as the BRICs (Brazil, Russia, India and China) nations. Additionally, we foresee rising demand for products that consider the environment and the safety of customers.

By accurately responding to market trends and the needs of our customers, we plan to record higher unit sales and raise our global share to secure our position as “Undisputed No. 1” in the global lift truck market.

Our medium-term strategy for attaining these goals contains two important tasks. The first is to offer superior product value, and the second is to maximize synergies between the TOYOTA brand, the global leader in counterbalanced lift trucks, and the BT brand, the world’s top name in warehouse trucks.

As the first step of this strategy, in September 2006 we carried out a full model change for TOYOTA brand’s mainstay 1- to 3.5-ton GENE0 (8-Series and Toyota Toner0 overseas) internal combustion counterbalanced lift trucks and commenced production at the Takahama Plant in Japan. We also started production of this new lift truck in the United States in January 2007 and plan to inaugurate production in France in fall 2007.

Based on the concept of setting new standards for safety and environmental friendliness, the new GENE0 offers greater safety, meets environmental regulations ahead of schedule and offers improved comfort and ease of operation, thus providing a differentiated value unmatched by competitor products. Following its launch, the



New GENE0 (8-Series and Toyota Toner0)  
internal combustion counterbalanced lift truck



**Tetsuro Toyoda**  
President

Hybrid Lift Truck

new GENE0 has earned high acclaim from many customers. With this strategic lift truck, we plan to aim for higher market share and increased profitability in working to be “undisputed No. 1” in the global lift truck market.

With an eye toward maximizing synergies between the TOYOTA brand and the BT brand, in April 2006 we officially launched the Toyota Material Handling Group (TMHG) as the framework for integrating both entities. In undertaking operations, TMHG implements optimal policies in global markets that are divided into the four geographic regions of Japan, North America, Europe and International.

At the same time, key functions such as quality, R&D and plant operations are handled taking a cross-sectional approach that transcends all geographic regions as we utilize the entire capabilities of the Toyota Industries Group in making improvements and innovations. The launch of TMHG has already yielded and we believe will continue to generate important synergies that include mutually supplying each other’s brand products, undertaking joint development, promoting the implementation of the Toyota Production System (TPS) at production bases worldwide and reorganizing sales structures. Looking ahead, we plan to focus on the timely planning and introduction of competitive new products and improvement of after-sales service.

## Automobile Segment

The Automobile Segment is another pillar of the Toyota Industries Group's business along with the Materials Handling Equipment Segment.

Greater global demand for compact cars is expected due to rising crude oil prices, while Toyota Motor Corporation's (TMC) domestic production is likely to remain at a high level.

In view of these circumstances, we will strive to expand our role within the Toyota Group backed by our strength—always aiming to be global No. 1 in terms of quality, cost and delivery (QCD)—that we have cultivated as a manufacturer specializing in compact and midsize cars.

We have achieved smooth progress up through fiscal 2006 in establishing, increasing and strengthening plant infrastructure and assembly lines. Accordingly, we now operate a solid structure capable of stable production exceeding 350,000 units annually, up from just over 200,000 units previously.

During fiscal 2007, we continued full-scale production of the Vitz (Yaris outside Japan) and the RAV4 and attained record-high sales of 350,000 units. We intend to make further improvements in QCD to ensure continued high levels of production as we work to further strengthen collaboration between Toyota Industries and TMC. At the same time, we expect to continue to upgrade our development capabilities and expand our roles in both production and development.

In the Engine Business, mounting concerns about the environment have led to a high level of demand for clean diesel engines in Europe. Meanwhile, Japan and the United States are witnessing moves to reevaluate diesel engines given their excellent energy efficiency. In addressing these trends, we aim to become a top manufacturer of diesel engines within the Toyota Group from both a development and production perspective.

From fiscal 2006, Toyota Industries began producing two globally strategic engines. These include AD diesel engines, a clean, quiet and fuel-efficient new-generation diesel engine jointly developed with TMC, and KD diesel engines for TMC's Innovative International Multi-Purpose Vehicle (IMV) Project. In fiscal 2007, we maintained high production levels of these engines throughout the year and increased our production volume from over 300,000 units to 490,000 units. We also proceeded firmly on a number of fronts to strengthen our development capabilities by taking steps that included constructing a new



Nagakusa Plant



New engine testing center



testing center and increasing development staff. In responding accurately to TMC's strategies, we will strive to even more fully utilize our development and production capabilities within the Toyota Group.

In the Car Air-Conditioning Compressor Business, although the rise in the percentage of new vehicles fitted with air conditioners in the European market has slowed down, we foresee a growing need for fuel-efficient air conditioners. Additionally, we anticipate higher demand particularly in emerging markets such as the BRICs due to an increase in automobile sales.

Regarding medium-term targets, as a top manufacturer, Toyota Industries will aim to further expand global market share while striving to increase its earnings power via thorough cost reductions.

As we receive steadily increasing orders from customers, our overriding theme is to respond accurately to such increases by establishing an optimized, global and flexible production structure. Accordingly, Toyota Industries has made smooth strides in expanding production capabilities. Achievements include the start of production at a second North American production base in the U.S. state of Georgia in December 2005 followed by the commencement of production at a plant in China in April 2006. We are also focusing efforts on further expanding sales to automakers, and during fiscal 2007 these efforts have enabled us to secure new customers, mainly comprising European manufacturers of compact cars.



TD Automotive Compressor Kunshan Co., Ltd.

As a result, in fiscal 2007 we sold 20.45 million car air-conditioning compressors, surpassing 20 million units for the first time. Deploying our technological superiority as a competitive advantage, we plan to continue to develop cutting-edge technologies and new products that contribute to new car development as we respond to an ever-greater need for car air-conditioning compressors for hybrid vehicles in addition to conventional engine-powered vehicles.

The Automobile Segment is also involved in car electronics and automotive stamping dies. In other words, this segment is active in a broad range of fields covering the entire automobile business from vehicle assembly and engines to components. To prevail amid severe competition, we intend to strengthen collaboration among these businesses to leverage our strong overall capabilities.

With this in mind, in January 2007 we established the Automotive Headquarters to fortify collaboration among respective businesses in the Automobile Segment. We have now consolidated and achieved close cooperation among the vehicle assembly, engine, automotive stamping dies and car electronics businesses to create synergies. In so doing, we are actively contributing to TMC's global strategy. Besides strengthening each individual business, we plan to focus on increasing our total strengths while elevating the potential and performance of the Automobile Segment.

## Textile Machinery Segment

Ever since our founding, textile machinery has been tantamount to a “family business,” and a strong performance by this segment energizes all employees of the Toyota Industries Group. In fiscal 2007, this segment posted excellent results, as sales of our mainstay air-



JAT710 air-jet loom

jet looms surpassed 10,000 units due to extremely buoyant conditions that included extraordinary demand in China. As an easy-to-understand example, the continuous operation of 10,000 air-jet looms for one month would weave enough material for dress shirts for 100 million people, a number that virtually corresponds to Japan’s entire population. Compared with the Toyoda Type G automatic loom of 80 years ago, current air-jet looms boast four times greater weaving width and six times higher weaving speed, thus giving these weaving machines 24 times the productivity.

Up until approximately five years ago, total worldwide demand for air-jet looms was around 10,000 units annually, but subsequently surged to over 20,000 units annually since 2002. Along with improvements in air-jet loom productivity, the main factor driving this increase has been technological innovations in air-jet looms enabling the production of fabrics that were previously difficult to produce unless using other machines such as rapier weaving machines.

For fiscal 2008 and beyond, we plan to further strengthen the product appeal of our air-jet looms and maintain our position as the global leader as we continue the legacy of our “family business.”

## Refocusing on the Basics of Manufacturing and Strengthening the Company’s Constitution

To continue “contributing to society through manufacturing,” sustainable growth and development is imperative. Maintaining an unwavering commitment to this concept, we believe that refocusing on the “basics of manufacturing” is of paramount importance at the juncture of our 80th anniversary.

Accordingly, in fiscal 2007 we pursued further growth and development with a renewed spirit by thoroughly promoting guidelines focused on the basic thinking and behavior for all employees of the Toyota Industries Group.

## Attracting Highly Ambitious Individuals and Creating a Vibrant Workplace

Toyota Industries has designated “enhance team strength and spirit” as the main thrust of its Vision 2010 and a core initiative for driving future growth. Realizing this concept hinges on further raising the level of every employee’s unique skills and specialized techniques as well as management capabilities.

As a key focal point, in fiscal 2007 Toyota Industries promoted the cultivation of personnel possessing the skills, perspectives and spirit of TPS in all business divisions, with each division working to attain clearly defined targets. Concurrently, the Corporate Center (corporate headquarters) upgraded TPS training programs and undertook TPS training by encouraging the participation of staff and providing TPS support for each business division. Determined to



Technical Learning Center

accelerate the development of personnel possessing top-caliber skills and techniques as well as the required execution capabilities in terms of manufacturing, we further enhanced our Technical Training Center with the establishment of the Engineering Education Office and began operations in January 2007 as the Technical Learning Center.

With the adoption of these measures, we believe that the strengths of each individual are steadily advancing. Combined with these assets, we believe that a “spirit of harmony,” namely, teamwork and an overarching sense of humanity, will serve as a cornerstone needed to fully utilize our team strengths. We will press forward with the creation of a spirited workplace where communication flows smoothly and employees can gather for positive discussions and work to their fullest abilities with a high sense of motivation.

## **Making Strides in Global Environmental Management**

No discussion concerning corporate management can take place in the 21st century without mentioning environmental concerns. Toyota Industries has continually carried out environmental management and proactive information disclosure over the course of three successive environmental action plans. Under our Third Environmental Action Plan completed in fiscal 2006, Toyota Industries achieved all numerical targets, which included reducing CO<sub>2</sub> emissions by 5% compared with fiscal 1991 levels and attaining a 50% reduction of targeted PRTR (pollutant release and transfer register) substances compared with fiscal 1999 levels.

The increased environmental load results not only from the production process but also the use of products by customers. Driven by this awareness, we are making unprecedented efforts to expand our lineup of ecological products under our Fourth Environmental Action Plan launched in fiscal 2007. In the automobile field, for example, Toyota Industries is working on the development of products that reduce CO<sub>2</sub> emissions, including diesel engines and key components for hybrid vehicles. We believe that these efforts will also spawn new business opportunities further down the road.

We plan to expand this approach to all Toyota Industries Group companies and work to build global environmental management to vigorously reduce emissions of greenhouse gases, utilize resources more efficiently and reduce environmental risk factors, which we believe will allow us to resolutely fulfill our corporate responsibility.



## Building Quality into Our Own Processes and Assuring Quality for Customers

One aim of Toyota Industries' manufacturing philosophy is to ensure that customers can use our products with a sense of reassurance worldwide. Based on TPS and Total Quality Management (TQM), our development, design, production technology, manufacturing and quality assurance divisions act in unison, with design reviews as a core element, as part of our steadfast efforts to attain quality. Reflecting the success and recognition of these quality initiatives, in fiscal 2007 the Automobile Segment once again earned the Superior Quality Performance Award presented to suppliers by TMC.

Our approach to quality initiatives is unrelenting. For instance, we believe that the presidential guidelines issued at the beginning of fiscal 2008 ensure that all employees thoroughly understand the meaning of "quality assurance." Fully absorbing this concept will further improve our awareness and actions, and each individual will be able to incorporate quality into his or her own work activities. We believe that employees who take pride in manufacturing will in turn ensure that no defects are sent to post-processes, thereby ultimately eliminating problems for our customers.



Superior Quality Performance Award

## Thoroughly Ensuring Safe Work Operations

Safety serves as the basis for earnestly undertaking manufacturing and represents the starting point of all our activities. Within the Toyota Group, we say, "safe work is 'the door' to all work." In keeping with this stance, all employees strive to work cohesively in taking steps to ensure that even the smallest risk is not overlooked and that the sources of any potential accidents are clearly eliminated.

As a means of bolstering our safety initiatives in fiscal 2007, we implemented a variety of initiatives such as improving management systems along with safety inspections and audits by the executive vice president in charge of overseeing production. At the same time, in accordance with the theme of making regular on-site inspections, top management continued to visit numerous worksites in person to confirm that safety is categorically being maintained accompanied by improvements in quality and productivity.



On-site inspections by top management

## Raising Corporate Value

Regarding the outlook for fiscal 2008, the global economy is expected to sustain a mild expansion despite disparities among geographic regions. Nonetheless, there are concerns of risks within Toyota Industries' operating environment, including exchange rate fluctuations and rising prices for crude oil and other raw materials.

In view of these factors, we are aiming for an increase in consolidated net sales of ¥71.7 billion, or 3.8%, to ¥1,950.0 billion; an increase in operating income of ¥5.1 billion, or 5.6%, to ¥95.0 billion; and an increase in ordinary income of ¥6.6 billion, or 6.0%, to ¥115.0 billion.

We believe this solid performance will be the result of our various management approach. Above all, we are resolved to making unrelenting efforts to raise corporate value by refocusing on the basics of manufacturing, strengthening our corporate constitution and providing products that ensure the satisfaction of customers worldwide.

In closing, we fully appreciate the continued support and guidance of our shareholders, customers, local communities, and employees and their families.

June 2007



**Tadashi Ishikawa**  
Chairman



**Tetsuro Toyoda**  
President