

To Our Stakeholders

Chairman Tetsuro Toyoda and President Akira Onishi, who were appointed to their respective positions after the general shareholders' meeting held in June 2013, explain our initiatives that have been implemented to build a firm business foundation as well as our measures to attain growth over the medium to long term.



The signature of Tetsuro Toyoda, written in black ink in a cursive, flowing style.

Tetsuro Toyoda
Chairman

The signature of Akira Onishi, written in black ink in a cursive, flowing style.

Akira Onishi
President

Establishment of a Foundation for Medium- to Long-Term Growth

Toyota Industries implemented profit improvement activities early on prior to the full-blown global recession that was triggered following the collapse of Lehman Brothers in 2008. We remained committed to improving profits, and just as our efforts began to pay off, we were struck with a series of serious events, including the Great East Japan Earthquake and the flooding in Thailand. The Toyota Industries Group prevailed against these hardships and initiatives undertaken during this period have enabled us to maintain a leaner business structure and gain strengths to generate greater profits.

Together with solidifying our defenses, we have also gone on the offensive to ensure that we capture business opportunities and translate them into business results. We have also been building a strong foothold in each business segment to achieve growth over the medium to long term.

In the Materials Handling Equipment Business, we proceeded with the expansion of our value chain by reinforcing development, production, sales and services operations. Our efforts in the Car Air-Conditioning Compressor Business included setting up an optimum supply structure less vulnerable to the impact of exchange rate fluctuations and enhancing the appeal of our products such as excellent fuel efficiency. In the Vehicle and Engine businesses, our focus has been on achieving an even higher performance in terms of quality, cost and delivery (QCD).

We believe that by steadily promoting these efforts we are on track for sustainable growth.

Additionally, investments were directed toward the establishment of optimum production and supply structures in the Materials Handling Equipment Business and the expansion of global production capacity in the Car Air-Conditioning Compressor Business. With regard to M&As, we are currently promoting an array of strategic alliances for further growth. These include acquiring key dealerships and welcoming Cascade Corporation, a U.S.-based manufacturer of lift truck attachments*, as a consolidated subsidiary. In the Textile Machinery Business, we acquired Uster Technologies AG, a Swiss-based manufacturer of cotton classing and yarn testing instruments. We expect that these measures, which are designed to achieve growth over the medium to long term, will begin to bear fruit in fiscal 2014.

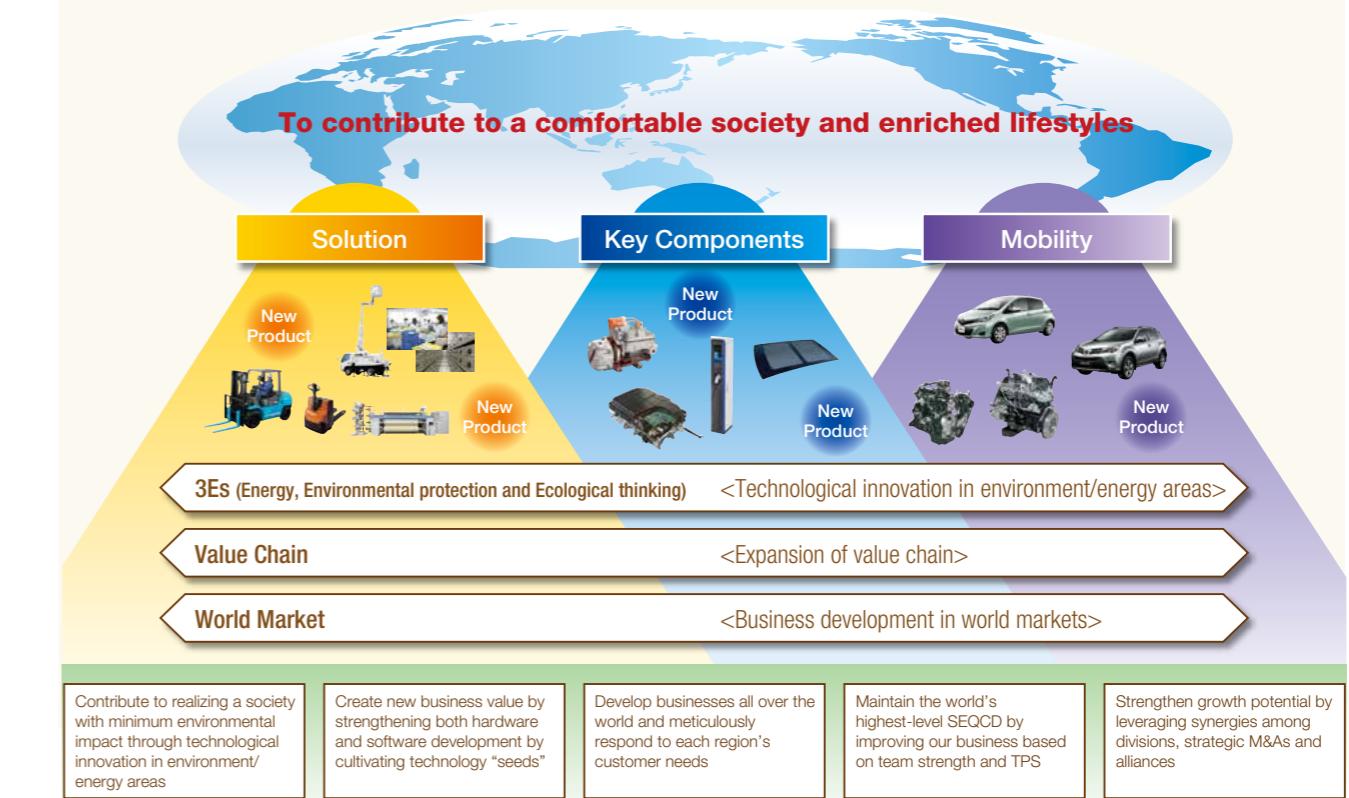
We anticipate that uncertainties will persist in the business environment. As guidelines for achieving medium- to long-term growth, we unveiled our Vision 2020 and Medium-Term Management Plan in the fall of 2011. The Vision 2020 was formulated in line with our desire to contribute to a comfortable society and enriched lifestyles by offering products and services that truly reflect customers' needs in a timely manner.

Under the vision, the "solution" business unit, including materials handling equipment, and the "key components" business unit centered around car air-conditioning



Vision 2020

Support industries and social foundations around the world by continuously supplying products/services that anticipate customers' needs in order to contribute to a comfortable society and enriched lifestyles



compressors will facilitate global business development and expand our value chain as the driving force for growth and greater profitability of the entire Toyota Industries Group. The "mobility" business unit producing vehicles and engines for Toyota Motor Corporation (TMC) will further increase its strengths in terms of quality and costs to assume the dual role of contributing to enhancing the competitiveness of Toyota cars and supporting Toyota Industries' management foundation.

In order to ensure a leap forward in the future, we have formulated the three "muscular" strategies of "3Es," "Value Chain" and "World Market."

The first strategy focuses on 3Es (**Energy, Environmental protection and Ecological thinking**), which are the keywords in promoting environment-friendly manufacturing.

The second strategy concentrates on our **Value Chain**. In businesses such as materials handling equipment, we not only strive to offer high-quality products but also seek to be of service in every aspect of customer relations, for instance, through an after-sales maintenance services structure to ensure our products are continuously used in optimal condition.

Our third strategy, which targets the **World Market**, reflects our desire to extend our geographical coverage to include both developed countries and emerging countries and to deliver our products and services to customers on a truly global scale.

We aim to realize the Vision 2020 by deploying these

strategies across the three business units and achieving growth in each business.

* Devices that are attached in place of forks of lift trucks for directly grabbing or rotating goods for enhanced operability and logistics efficiency

Initiatives and Business Results for Fiscal 2013

Overall, fiscal 2013 was marked by a modest economic recovery underpinned by steady economic growth in the United States and Southeast Asia, despite the European debt crisis and the slowing of China's economic growth. For Toyota Industries, fiscal 2013 was the first year of our Medium-Term Management Plan (fiscal 2013 to fiscal 2016), and we promoted various offensive measures concerning production and sales operations in respective businesses. In addition, to realize growth over the medium to long term, we actively engaged in research and development in the fields of environment- and energy-related technologies, including electrification.

In the **Materials Handling Equipment** Business, aggressive sales expansion efforts were undertaken in

Europe and the United States through initiatives such as utilizing acquired key dealerships. In emerging countries, we concentrated on bolstering our sales and service capabilities. These efforts enabled us to achieve better year-on-year business results outperforming the market, which remained on par with the previous year. In the face of the persistently weak market in Europe, we made various efforts that included a reduction in production lead time for lift trucks, resulting in successfully obtaining large-fleet orders.

In March 2013, we acquired U.S.-based Cascade Corporation and made the company into a consolidated subsidiary. One of the world's largest manufacturers of lift truck attachments, Cascade is renowned for its excellent capability in responding to customers' diverse needs. By adding their lift truck attachments to our lineup, we expect to expand our business domain, which will enable us to meet a broader range of customers' logistics needs and achieve further growth of the Materials Handling Equipment Business.

Among automobile-related businesses, the **Car Air-Conditioning Compressor** Business recorded an increase in unit sales in North America and Asia, where car

sales showed strong growth. The **Vehicle** Business smoothly launched production of the new RAV4, which underwent a full model change for the first time in seven years. The **Engine** Business posted higher unit sales of diesel engines for TMC's Innovative International Multi-Purpose Vehicle series that specifically targets emerging countries, pushing up overall unit sales to a record high. In addition to sales to TMC, the **Car Electronics** Business expanded sales of products for hybrid vehicles (HVs) and other types of vehicles to other automakers in and outside Japan, thereby making a greater contribution to our overall business performance.

The **Logistics** Business posted net sales on par with the previous fiscal year. Although sales of logistics services declined as a result of the sale of our shares in a subsidiary, sales of land transportation services for automotive parts increased. In the **Textile Machinery**

Business, slower economic growth in China, one of our primary markets, resulted in lower sales. Nevertheless, we worked to revitalize the stagnant market by bolstering our sales activities primarily for air-jet looms, which boast the world's top share in unit sales*.

As a result of these efforts, Toyota Industries posted net sales of ¥1,615.2 billion and operating income of ¥77.0 billion in fiscal 2013, exceeding the previous fiscal year's results.

* Survey by Toyota Industries Corporation



Initiatives for Medium- to Long-Term Growth

To attain the goals of our Vision 2020 and corporate growth over the medium to long term, we will further accelerate efforts under the aforementioned three "muscular" strategies of "3Es," "Value Chain" and "World Market."

As for the 3Es strategy, the Materials Handling Equipment Business and automobile-related businesses



are sharing an array of technologies and know-how mutually accumulated over the years. In the future, we will hone these technologies and expertise and leverage them in both business sectors. For our mainstay lift trucks, we intend to further enhance the appeal of our products by improving the performance of our internally manufactured key components such as motors and controllers.

As part of efforts to develop fuel cell lift trucks, we initiated a feasibility test of a newly developed fuel cell lift truck in December 2012 under the Kitakyushu Smart Community Creation Project promoted by Japan's Ministry of Economy, Trade and Industry and other organizations. In the areas of reducing CO₂ emissions and diversifying energy sources, fuel cells are regarded as a new power source option for materials handling equipment.

In the field of internal-combustion lift trucks, we are working to enhance the performance of lift truck engines developed and manufactured by the Engine Division to offer higher fuel efficiency and cleaner emissions in our efforts to develop competitive products that combine the strengths of the Materials Handling Equipment Division and Engine Division. As part of these efforts, 3.5- to 8-ton capacity lift trucks fitted with such new engines were released in North America in April 2013.

In this manner, we will work to improve energy-saving and other environmental features of electric and internal-combustion lift trucks and facilitate the development of fuel cell lift trucks. Our aim is to accelerate the development of eco-conscious products while helping customers achieve higher efficiency in their logistics operations.

One thing we must pay close attention to in the field of automobile-related businesses is the future implementation of increasingly stringent fuel efficiency regulations across the world. In response, the Car Air-Conditioning Compressor Business will concentrate on the development of next-generation models by increasing the product appeal of already highly fuel-efficient variable-displacement type compressors. For emerging countries, emphasis will be placed on the development of models that achieve an optimum balance between performance and prices. With regard to electric compressors for HVs, which allow the air conditioner to

run during an idling stop, we will develop more compact models with increased fuel efficiency and expand sales to automakers in and outside Japan, which are actively promoting sales of HVs and other electric-powered vehicles.

To increase our competitiveness in the Car Electronics Business, we will use our expertise gained on Toyota cars to focus on compactness, weight reduction and increased efficiency primarily for HV converters and inverters. Although the ratio of the Car Electronics Business in our total net sales still remains relatively small, we will take advantage of the upward trend in unit sales of electric-powered vehicles and seek to expand the scope of vehicle models fitted with our products. This action should help us achieve growth of this business and contribute to the



Practical training for service instructors of distributors outside Japan

electrification of vehicles.

The second strategy involving our value chain is of particular importance primarily for the Materials Handling Equipment Business. The business has been establishing a stronger structure by integrating sales channels that separately existed for individual brands in Europe and by acquiring key dealerships in North America. Leveraging this structure, we plan to make efforts to provide customers with finely tuned after-sales services, which comprise a crucial aspect of industrial goods; propose solutions to improve logistics; and enhance financing services. In emerging countries in Asia and other regions, we seek to offer even higher levels of customer service and expand sales through differentiated service quality.

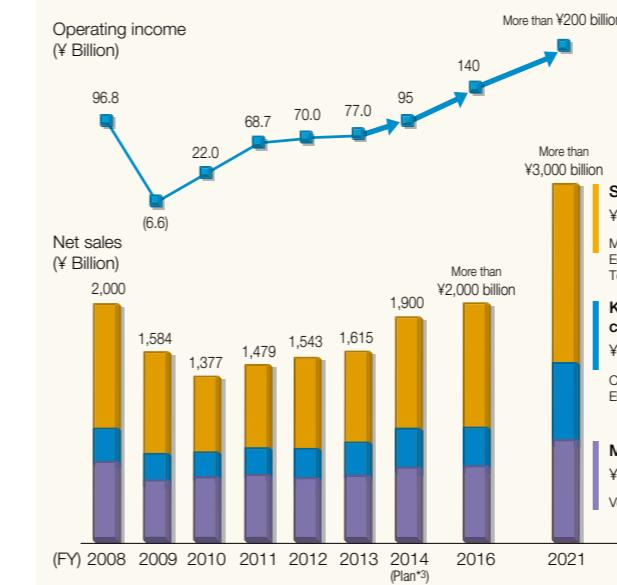
The third strategy is centered on the world market.



Providing services at a customer's site

■ Targets

- Net sales: More than ¥3,000 billion
- Operating income: More than ¥200 billion (7%)
- ROA*1: 5%
- ROE*1: 10%



■ Management Targets for Fiscal 2016

(¥ Billion)

| | FY2013 results | FY2014 plan*3 | FY2016 targets |
|---|----------------|---------------|--|
| Net sales | 1,615 | 1,900 | More than 2,000 |
| Operating income (Operating income ratio) | 77 (4.8%) | 95 (5.0%) | 140 (7.0%) |
| ROA*1 | 2.8% | — | 5.0% |
| ROE*1 | 8.7% | — | 10.0% |
| Capital expenditure | 89 | 100 | Approx. 500*2 in total between FY2013 and FY2016 |

*1: Investment securities are calculated on the basis of their purchase prices.

*2: Includes M&A investments

*3: As of April 26, 2013

The Materials Handling Equipment Business has been strengthening its production, sales and service operations on a global scale. Our latest efforts involved the establishment of a production base in Vietnam in April 2012. This new base manufactures motors, a key component of electric lift trucks, and has already started supplying products to our lift truck production plants worldwide. As motor performance has a significant impact on the overall appeal of our lift trucks, we intend to increase the number of lift truck models fitted with these motors. In Brazil, where market growth is expected in the future, we plan to capture growing demand through the launch of a lift truck production plant in October 2013.



Lift truck production plant in Brazil (scheduled to commence operations in October 2013)

We believe that these initiatives undertaken by the Materials Handling Equipment Business have put us on track to build an unparalleled business structure in the industry. We will continue to adequately respond to changes in the marketplace and seek to realize optimum production and supply structures on a global basis.

In the Car Air-Conditioning Compressor Business, while pushing ahead with production capacity increases at respective bases around the world, we will expand production of variable-displacement type compressors, for which demand is rising in North America in particular, to respond to customers' needs for improved fuel efficiency. In addition, we intend to increase the ratio of locally procured parts at respective overseas production bases to minimize the impact of exchange rate fluctuations.

Initiatives to Enhance Monozukuri (Manufacturing) Capabilities

The Japanese manufacturing industry is laden with what is often referred to as the "six burdens," and is facing intense competition. There is a rising concern that manufacturing in Japan may decline in line with the hollowing out of the manufacturing industry, a brain drain of excellent human resources and a loss of employment opportunities. Amid this difficult environment, we are striving to bolster our manufacturing capabilities in Japan even while promoting global business development. We believe that

Japan's strengths in manufacturing lie in its ability to bring together the wisdom of every function within an organization, from development, production engineering and manufacturing to sales and services, in order to create excellent products at affordable prices through a process of repeated trial and error and constant improvements. Based on these activities, we will further enhance the manufacturing capabilities of our mother plants in Japan and thereafter transfer these capabilities to our production bases around the world. The following three initiatives are already underway to reinforce our manufacturing operations.

1. Human Resources Development at the Technical Learning Center

Toyota Industries' Technical Learning Center provides education to young engineers and technicians in Japan. Based on the concept of *genchi genbutsu* (go and see for yourself), new employees in engineering fields must first learn the basics of manufacturing through a comprehensive, experience-oriented program that covers everything from planning and designing to actual manufacturing before they are assigned to each workplace. Our education programs for technicians focus on individuals' physical and mental development, skills training and knowledge cultivation. These programs are designed to develop human resources both capable of raising the skill levels of our entire workforce and serving as core staff at production sites. We also participate in national and international skills competitions as one way of passing on our advanced, highly professional skills. Since winning a gold medal in the WorldSkills Competition 2007 for the first time, Toyota Industries' teams have accomplished excellent results each year.



Training technicians at the Technical Learning Center

2. GTCC Initiative in the Car Air-Conditioning Compressor Business

Our car air-conditioning compressors are widely adopted by major automakers in and outside Japan, and we have responded to growing demand by expanding production on a global basis. As our production expands worldwide, it has become increasingly difficult to maintain a consistent level of manufacturing skills throughout the world. To counter the situation, we established the Global Training Center of Compressor (GTCC) in fiscal 2013 for training manufacturing personnel from production bases around the world at a production base in Japan that serves as a mother plant. The GTCC focuses not just on teaching technical skills but also on instilling our thinking on *monozukuri* based on the Toyota Production System (TPS). This initiative is aimed at honing the strengths of our production bases in Japan that take the lead in Toyota Industries' manufacturing operations, while also having trainees share the skills and knowledge they have gained in Japan with local staff after returning to their home countries. This will in turn raise the level of our skills on a global scale.



GTCC training session

3. Innovation in Production Engineering

Toyota Industries also strives to improve production engineering capabilities through the development of innovative manufacturing methods. Products, no matter how excellent they are, may be copied by other companies once they are released to the market. Production engineering, on the other hand, allows us to maintain and enhance our competitive edge if we keep development results in a "black box" to differentiate ourselves from competitors. Because textile machinery is the origin of our business, we have strong advantages in foundry technologies, which are essential in manufacturing not only textile machinery but also engines, lift trucks and car air-conditioning compressors. In addition to these types of materials processing technologies, we encourage innovation in the field of production engineering, including

machining and assembly, to achieve even higher levels of quality and productivity and deliver products with greater appeal to customers.

Spurring Innovation and Accelerating Efforts to Realize the Vision 2020

In order to prevail over ever-intensifying global competition, it is essential that we step up our efforts and engender innovation. For Toyota Industries, the word "innovation" means more than just technological advancements usually seen in the area of development. The word encompasses everything that entails a change that has never occurred before, such as a new combination of existing things or a new way of producing an existing product.

We will spur innovation in our respective fields of operations, from development to services, and accelerate our strategies for growth and qualitative advancement. To this end, we will work to enhance our competitive edge in each of the three business units by taking advantage of our wide range of businesses. At the same time, we will strive to augment horizontal alignment among the business units to create synergies and maximize the comprehensive strengths of the Toyota Industries Group.

By making steady progress in implementing strategies under the Vision 2020 and driving the expansion of the three business units, we aim to achieve overall corporate growth and remain fully committed to contributing to a comfortable society and enriched lifestyles.

In closing, we ask stakeholders for their continued cooperation and support.

