

## Globalization of the Materials Handling Equipment Segment

Toyota Industries' Materials Handling Equipment Segment, a world leader in the production and sale of forklift trucks, comprises TOYOTA Material Handling Company ("TMHC") and BT Industries AB ("BT Industries"). TMHC is a global leader in counterbalanced forklift trucks, whereas BT Industries is a leading supplier in the world for warehouse equipment. The two companies operate as parallel groups, collaborating globally as equal strategic partners and marketing each other's products on an OEM basis.

Competition in the materials handling equipment market is intensifying, marked by cross-border consolidation and alliances. By assuming the industrial equipment sales and marketing operations of Toyota Motor Corporation ("TMC") and acquiring BT Industries, we have strengthened our position as a global leader distinguished by our comprehensive lineup, superior technologies and responsiveness to customer needs.



### Brand Portfolio of the Materials Handling Equipment Segment

The Materials Handling Equipment Segment continues to provide products under the TOYOTA and BT brands. TMHC uses the brand name TOYOTA L&F in Japan and Toyota Industrial Equipment in other regions. BT Industries uses primarily the brand names BT in Europe and other regions and Raymond in North America. While maintaining their own brand names, TMHC and BT Industries cooperate closely in seeking to maximize benefits of synergy on a global scale.

#### TOYOTA Material Handling Company

##### Japanese market



##### Non-Japanese markets



Industrial equipment made by TMHC is sold in Japan under the brand name of TOYOTA L&F (Logistics and Forklifts), which refers to materials handling systems and industrial vehicles and equipment. Outside Japan, the signature of TOYOTA INDUSTRIAL EQUIPMENT is used.

#### BT Industries AB

##### European market



##### North American market



BT Industries uses the brand names BT in Europe and other regions and Raymond in North America. BT Industries also uses the Cesab, Prime-Mover and Lift-Rite brand names in certain markets.

## TOYOTA Material Handling Company

### *Gearing Up for Future Growth*

TMHC was created in April 2001 after Toyota Industries took over the industrial equipment sales and marketing operations of TMC. From 1956, when the first TOYOTA-brand forklift truck was launched, TMC had been responsible for the sales and marketing of materials handling equipment developed and manufactured by Toyota Industries. With the transfer, Toyota Industries assumed full responsibility for all materials handling equipment operations on a global basis.

This consolidation positions materials handling equipment as a core business within the Toyota Group, and underlines Toyota Industries' status as one of the world's leading comprehensive manufacturers in the field. The integration of development and manufacturing expertise with strong sales and marketing capabilities makes for more flexible management, faster decision-making and strengthened global competitiveness.

TMHC also subsumed some of TMC's domestic forklift truck sales subsidiaries and the Industrial Equipment Division of Toyota Motor Sales, U.S.A., Inc., also transferred in April 2001. We also absorbed other related operations, including TMC's industrial equipment sales subsidiaries in Europe.

For more information on TMHC's global sales network and products, please visit [www.global-toyotaforklifts.com](http://www.global-toyotaforklifts.com).

### *Operations in Japan*

The forklift truck markets in advanced countries, including Japan, are maturing, and demand therefore tends to follow the business cycle.

Since the bubble burst in Japan in the early 1990s, its economy has been in a slump. Although calendar 2002 saw total demand in the domestic forklift truck market decrease by 7.5% from 2001, TMHC outperformed the market by keeping the decrease in unit sales to 6.3%. TMHC embarked on sales promotion activities that focused on optimized materials handling solutions. For example, it marketed high-quality products, provided prompt and reliable services, and engaged in a full-fledged "fleet management" program of materials handling equipment such as forklift trucks, thus contributing to further cost reduction for our customers.

For calendar 2002, TMHC achieved a record-high market share of 41.2% in Japan, exceeding 40% for the fourth consecutive year. This marked the thirty-seventh consecutive year that TMHC was No. 1 in the forklift truck industry. On a fiscal year basis (April 2002 to March 2003), its market share was 41.5%.

In calendar 2002, the GENE0-R (7FBR outside Japan) reach truck achieved a top market share in Japan for the second consecutive year. The GENE0 Series (7-Series outside Japan), including the GENE0 (7FG/D) internal combustion counterbalanced forklift truck introduced to the market in September 1998, has established a position as the forklift of choice, featuring excellent safety, handling and operability.

Under the TOYOTA L&F brand, TMHC introduced BT Industries' hand pallet trucks and electric pallet trucks on an OEM basis into the Japanese market in April 2001 and May 2002, respectively, in order to enhance its warehouse truck lineup. TMHC aims to expand the warehouse equipment market, still a small segment in Japan, through the introduction of more BT Industries products as well as vigorous sales and marketing activities.

Although the Japanese forklift truck market is expected to improve marginally in 2003, a full recovery will take longer. In these circumstances, we will respond precisely to customer needs, promote fleet management contracts and offer materials handling solutions optimized for each customer, thereby aiming at further expansion of sales and market share.

TMHC supplies TOYOTA-brand forklift trucks and materials handling systems through an established sales network of 42 dealers throughout Japan.

### *Operations in China*

Following China's rapid economic growth, its forklift truck market is expected to grow from approximately 25,000 units in 2002 to more than 30,000 units in 2005. The number of forklift trucks produced by foreign companies (i.e., excluding those manufactured by Chinese companies) is expected to grow from approximately 7,000 units in 2002 to more than 10,000 units in 2005 as deregulation in the country proceeds. In anticipation of expanding demand, TMHC constructed a new forklift truck assembly plant within the premises of Toyota

Industry (Kunshan) Co., Ltd. ("TIK"), a subsidiary of Toyota Industries which is engaged in the production of foundry parts in Kunshan, Jiangsu Province, China. TIK began production of forklift trucks in April 2003. TIK is currently assembling 1-3 ton internal combustion forklift trucks, top-sellers in China, with a planned production of 550 units in calendar 2003. Closely monitoring the trend in demand, TIK will gradually increase unit production as well as the number of models.

In May 2003, we established Toyota Material Handling (Shanghai) Co., Ltd. as a distributor of forklift trucks in China. Sales in that country were previously conducted through three dealers at seven sales bases. The new company, which started operations in June 2003, will take the initiative in forging a stronger sales network. We now have 12 local dealers at 19 sales bases (as of June 30, 2003), mainly along the coastal area.

Products are provided by TIK and TMHC from Japan to strengthen product competitiveness in the growing Chinese market. For calendar 2003, Toyota Material Handling (Shanghai) aims to sell 1,000 units.

### **Operations in Australia**

In June 2003, Toyota Industries established Toyota Industries Corporation Australia Pty Limited ("TICA") as a new distributor, with a view to expanding sales of forklift trucks and other materials handling equipment in the local market. TICA started operations on July 1 after taking over the materials handling equipment sales operations of Toyota Motor Corporation Australia Ltd., which was responsible for sales of TOYOTA-brand materials handling equipment in the country. TICA is charged with forging a stronger local sales structure, and plans to sell 2,000 units of materials handling equipment during calendar 2003.

### **Operations in the United States America's No. 1 Selling Forklift Truck Supplier**

The U.S. forklift truck market in calendar 2002 was down 2% from 2001. However, sales by Toyota Material Handling, USA, Inc. ("TMHU") increased 8%. TMHU's innovation, dedication and commitment during 35 years in the U.S. market has paid dividends; in 2002 TMHU was the No. 1 full-line forklift truck supplier in the U.S. for units sold.

Offering a full line of top-quality products, TMHU is supported by a world-class dealer network and has earned the loyalty of its customers through an unmatched commitment to service and customer support.



*TMHU's headquarters in Irvine, California*

Headquartered in Irvine, California, TMHU has established its leadership through superior engineering, technological advancements and a commitment to quality products and service. As a result of the company's continued growth, 99% of TOYOTA forklift trucks sold in the U.S. are assembled in North America. Most of the trucks are assembled by Toyota Industrial Equipment Mfg, Inc. ("TIEM") at its state-of-the-art facility in Columbus, Indiana.



*TIEM's plant in Columbus, Indiana*

### **Long-Term Value**

TMHU attributes much of its success to Toyota's commitment to safety, efficiency and productivity in its product designs, which translates into long-term value for its customers. Dramatic advancements in technology, such as the System of Active Stability (SAS) and Active Mast Control (AMC), help



*TMHU's new 7-Series three-wheel electric forklift truck sets new standards in productivity, energy efficiency and safety*

reduce the risk of accidents and injuries, minimize the potential for product and equipment damage, and maintain a higher level of productivity. This revolutionary electric control system can detect and respond to changes in forklift operation to maintain stability and help prevent tipovers. These advances in safety and reliability mean lower cost of ownership over the life of a truck, improving productivity while reducing accidents and related downtime.

**Anticipating Customer Needs**

With advanced technology and a world-renowned manufacturing process, TMHU has earned an industry-wide reputation for high-quality, reliable products across all categories. As TMHU looks to the future, product development efforts are designed to anticipate customer needs for environmental and safety concerns, reduced operating expenses and increased productivity.

For example, as demand grows for energy-efficient electric forklift trucks, TMHU is introducing its new line of 7-Series three-wheel electric forklift trucks. These new models feature Toyota's revolutionary AC technology, which results in industry-leading productivity and energy efficiency.

**The Year Ahead**

The industry is expecting modest growth for the coming year. In order to maintain its leadership position, TMHU is focusing on growth in national and fleet account penetration, customer satisfaction and dealer training. TMHU recently launched a comprehensive, new Customer Satisfaction

Survey program and also conducted a Dealer Satisfaction Study this year.

For 2003, TMHU's new e-Learning Web site offers dealers 24-hour access to sales, technical and Toyota Financial Services training, as well as monthly articles, quizzes, bulletins and more.

**Exceptional Dealer Network**

TMHU markets its full line of high-quality forklift trucks under the Toyota Industrial Equipment brand. Its nationwide network of 79 dealers at 183 dealership locations leads the industry in outstanding customer service and product support. Dealer consultants are experts at meeting customer needs at every level, whether it involves a single truck or a complete fleet management program, and they are backed by TMHU's extensive resources. These include factory-trained service technicians, STARLIFT parts, Toyota Certified Used forklift trucks, and flexible leasing and financing packages through Toyota Financial Services.

This support, combined with years of experience and innovation, means that TMHU's complete line of quality forklift trucks offers a solution for every application. For more information on TMHU products and services, please visit [www.toyotaforklift.com](http://www.toyotaforklift.com).

**Operations in Europe  
TIEE Increases Market Share Supported by Product Launches**

For Toyota Industrial Equipment Europe, S.A.R.L. ("TIEE"), the European division of TMHC, the year 2002 was a period marked by a number of significant developments. In particular,



*7FBMF—TIEE's revolutionary electric counterbalanced forklift truck*

TIEE continued to expand its range of warehouse equipment and forklift trucks, and also further strengthened its regional distribution network.

The highlight of 2002 was the introduction of the revolutionary four-wheel 7FBMF forklift truck in France in June. This machine is available in nine different models, making it suitable for a wide range of applications in industries such as food, beverages, paper and metal processing. During the year a number of innovative new products, including the Generation 7 Stacker Series, the 7FBRE reach truck and the Easymover, were launched and these have already achieved considerable success on the European market.

In March 2003, TIEE took part in the Salon de la Manutention trade show in Paris, where it introduced its brand new three-wheel forklift truck, the 7FBFEF. Designed for use in a range of applications and industries, this is a high-performance multipurpose truck, equipped with state-of-the-art safety and ergonomic features. It can operate as easily in warehouses and confined production environments as in outdoor applications.



*Toyota Industrial Equipment, S.A. ("TIESA"), our forklift truck production base in France, manufactures more than 9,000 forklift trucks annually for the European market*

### **Operational Results Outperform the Market**

Difficult market conditions made 2002 a very challenging period. The economic downturn that started in 2001 continued throughout 2002, adversely affecting the market, which contracted by over 8% overall compared to the previous twelve months.

Despite this, TIEE turned in a very good commercial performance, achieving an increase in sales of almost 10% compared with 2001. This was the second consecutive year that TIEE well outperformed the market.

The European market for counterbalanced forklift trucks experienced the biggest decline as a result of the general economic conditions. Sales in this sector fell by around 10% in



*TIEE's European Sales & Marketing Office in Belgium*

total. TIEE, however, was able to increase its share of this market to 11% over the course of the year.

The market for warehouse equipment in the same region was more resilient in the face of the economic downturn, and recorded a decrease of just over 7%. Thanks to the many innovative products launched in the sector in 2002, TIEE increased its sales in this particular market by almost 50%.

Looking ahead, 2003 may see a small recovery in European market conditions. This could stabilize the regional materials handling market at its current level and prevent any further deterioration compared with the tough 2002. The downside risks are still significant though, and uncertainties surrounding the political and military situation in the Middle East could have a significant negative impact on any recovery. Yet TIEE is confident it will once again outperform these difficult market conditions. This confidence is supported by TIEE's excellent results in very difficult market conditions in 2002.

Throughout 2003, TIEE will carry on strengthening its position within the European market. It will continue efforts to extend its European sales, distribution and after-sales network, with a view to ensuring quick and effective responses to customer demands.

TIEE's key aims for 2003 are to shorten lead-times, reduce costs and increase customer satisfaction levels. The ultimate goal is to provide European customers with optimum materials handling solutions, and TIEE is now well on the way toward achieving this objective.

For more information on products and services, visit [www.tiee.com](http://www.tiee.com).

*Note: The fiscal years of Toyota Material Handling USA, Inc. and Toyota Industrial Equipment Europe, S.A.R.L. run from January 1 to December 31.*

## BT Industries

*In June 2000, Toyota Industries acquired BT Industries, a Swedish warehouse truck manufacturer.*

*BT Industries is our strategic partner in the field of materials handling equipment.*

*Note: The fiscal year of BT Industries, unlike that of Toyota Industries, runs from January 1 to December 31.*

### Statement by the President of BT Industries

#### **BT Industries Stays Strong**

We are represented in some 70 countries in every part of the globe and are the world's leading supplier of warehouse trucks.

#### **Strategic Position**

During the 1990s we systematically built up the strategic position we hold today. This was facilitated by strong finances, which gave us the freedom to maneuver, as well as the commitment of employees at all levels of the company.

In less than 10 years BT Industries has been transformed from primarily a Western European company into a world-leading group with slightly over 20% of the global market for warehouse trucks. The foundation was laid during a period of structural growth through acquisitions in strategically important markets, thanks to which we are now the only major company that can offer a wide range of forklift trucks that meet both European and U.S. standards. Through these acquisitions, our product range has been expanded to also include counterbalanced forklift trucks, mostly electric-powered.

The global economy was in a worse condition in 2002 than for many years. The weak economic climate and uncertainty that resulted also affected the forklift truck industry, where customers have shown less willingness to invest. BT Industries operates in an environment, however, in which economic fluctuations often have less impact than for many other industries. Among our strengths are our customer base, geographic diversification and breadth of product range, which to a large extent comprises services that are not directly dependent on new product sales.

#### **Structural Changes**

Around half of our business is generated from customers in consumer-oriented industries. These companies are often global players, for whom efficient logistics is decisive to profitability and survival. They are less cyclical, since their



**Per Zaunders**  
President

product volume does not fluctuate noticeably with the economy's ups and downs. On the other hand, the structures and habits of these industries with regard to materials handling are constantly changing. In recent decades, many of our customers have grown from national companies to international groups. Their global presence demands that we be able to provide materials handling throughout the world, which has been a strong reason for our geographic growth strategy.

Structural changes are continuing among BT Industries' customers, particularly those that are consumer-oriented, and among forklift truck manufacturers. These changes reflect the

efforts of everyone involved to adapt to a global economy, a generally higher pace of change and a desire to maintain or improve profitability through economies of scale. In the last five years, BT Industries has played a leading role in the restructuring and consolidation of the forklift truck industry and achieved a world-leading position in warehouse trucks. Toyota Industries' acquisition of BT Industries in 2000 created the world's largest overall forklift truck company as well as the leader in both warehouse and counterbalanced trucks. Further consolidation and structural changes at the customer level and among other companies in the forklift truck industry are to be expected.

The changes in the forklift truck market are reflected in growth for BT Industries' three geographic business areas. BT EUROPE and BT RAYMOND operate in mature markets, which are expected to maintain about the same long-term growth rates as before—6-7% annually on average. BT INTERNATIONAL's market has greater growth potential percentage-wise. Rising standards of living in Latin America, Southeast Asia and Eastern Europe, for example, are producing changing consumption patterns and logistics needs very much like those in Western Europe and North America.

### **Change is an Improvement**

BT Industries has been a profitable company for several years. In order to maintain and strengthen our profitability, we must continuously develop and manufacture products and services that exceed our customers' expectations. The ability to handle new conditions and anticipate customers' needs is an increasingly important competitive factor. This places high demands on employees throughout the BT Industries Group. As a result, one of our biggest challenges is to get the entire organization to see more clearly the opportunities that change creates. BT Industries will take an active approach to change work and ensure that change is synonymous with improvement—in our own work and in our customer offerings.

### **Cooperation Strengthens Us All**

In a global group like BT Industries, the many competencies and experiences we have gained are a product of local business and cultural conditions. Utilizing this local base, in combination with a clear group identity, allows BT Industries,



through interaction among BT Industries Group companies, to identify the best methods and processes. We have every reason to believe that by further expanding cooperation internally and with our owner, Toyota Industries, we will all benefit. Cooperation is important to both BT Industries and Toyota Industries. Each of our organizations has different strengths and competencies which, when utilized correctly, create synergies. The philosophy at Toyota Industries and BT Industries is to maintain two distribution channels (BT and TOYOTA) and to continue to work with separate brands. This is expected to produce the best results for BT Industries as well as Toyota Industries as a whole. In BT Industries' distribution channels, we employ one main brand in each market region. In North America, Raymond is the primary brand, and in Europe and the rest of the world it is BT.

### **Future Development**

The market's development in the last two years has deviated from the long-term trend in the forklift truck industry. I am convinced, however, that the historic growth rate of 6-7% a year we have become used to in the warehouse truck industry in recent decades will continue. What we have seen the last couple of years is a temporary blip. I am therefore optimistic about our long-term development potential and feel we are well prepared for an economic rebound. In recent years we have made significant capacity investments in our production plants, and at the same time have created a strategic position we can be proud of. Our constant, continued efforts to find improvements in the way we work in every area can be compared to polishing a diamond.

### **Per Zaunders**

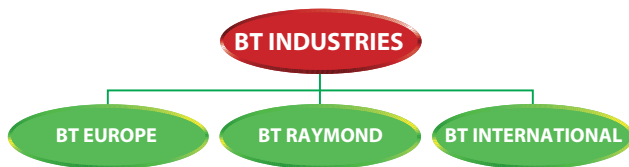
*President*

*BT Industries is the world leader in warehouse trucks. Its operations include the development, production and distribution of electric trucks, counterbalanced trucks, manual trucks, and a wide range of services and rental alternatives.*

*In this section, we explain BT Industries' organization, market trend, and its products and services.*

### Organization of BT Industries Group

The BT Industries Group comprises a total of around 80 companies, of which 65 are majority-owned subsidiaries. The BT Industries Group is divided into three business areas, based largely on geography. Business area BT EUROPE is primarily responsible for operations in Western Europe, BT RAYMOND for North America and BT INTERNATIONAL for the rest of the world. The BT Industries Group has a total of seven production plants: two in Sweden, two in the U.S., two in Canada and one in Italy. Sales and service are handled through an extensive network of the BT Industries Group's own sales and service companies as well as partly owned or independent dealers. In total, the BT Industries Group is active in over 70 countries.



*Note: The BT Industries Group comprises some 80 companies with global coverage. BT Industries' operations are organized into three business areas.*

### Market Trend

Global volume for all motorized forklift trucks is estimated at approximately 594,000 units in 2002. The market is concentrated in the industrialized world, with North America, Western Europe and Japan accounting for an approximately 80% share.

In recent decades, the market for warehouse trucks has grown by an annual average of slightly over 6%. Eastern Europe, Southeast Asia and South America, which are projected to be the fastest growth markets, have posted growth of over 10% in recent years. The variety of consumer goods has been expanding greatly for some time. New products are constantly being launched and a growing number of versions and brands within the same product

groups are being made available. As a result, materials handling today requires more truck lifts with lower average weights than before. Customers' demand for materials handling is also gaining in importance as a parameter for their profitability.

More than half of BT Industries' sales comes from customers in consumer-oriented businesses, although most industries are represented.

Large, international customers with operations in more than one country prefer suppliers that can offer similar products, financing, service and maintenance in all the markets where they do business. BT Industries has the resources, competence and concepts needed to enter into centralized agreements with, and serve as a partner to, globally active customers.

### Products and Services of BT Industries

The product range consists of a wide variety of electric-powered warehouse trucks, including walkies, order pickers, reach trucks and very narrow aisle trucks (VNA). All are designed for indoor materials handling, while the counterbalanced truck range is more suited for outdoor environments. In addition, BT Industries manufactures a number of different manual trucks, so-called hand pallet trucks.

An extensive range of services and fast spare parts distribution are key elements in BT Industries' overall customer offering. The service range also includes short- and long-term rentals.

### BT Industries' Worldwide Manufacturing Bases



*BT Industries presently operates seven manufacturing bases in Europe and North America. Products made at these bases are sold worldwide through BT's own sales and service organizations and some 450 distributors and dealers.*