

# Aiming to Achieve Continued Growth by Striving to Ensure Safety and Compliance as well as Provide Products and Services That Contribute to the Development of Society

Over the years, we have accumulated experience and expertise in various business fields and built relationships of trust with our stakeholders. While valuing such assets, we will work to achieve sustainable growth to contribute to the protection of the environment and the development of society by recognizing changes in the world, the surrounding environment and our situation, retaining what we should and changing what we should.



Koichi Ito  
President

## Regarding the Certification of Engines for Lift Trucks

As we confirmed a potential regulatory violation related to Japan's emissions certification for lift truck engines, we suspended the shipment of the lift trucks for the Japanese market equipped with these engines on March 17, 2023. The incident followed the suspension of the production and shipment of certain models of internal-combustion lift trucks in North America in January 2021.\* I wish to express my sincerest apologies for causing a great deal of inconvenience to our customers, dealers, suppliers and many other stakeholders.

Reflecting the seriousness of the matter, we have set up a special investigation committee comprising external experts who are not stakeholders. In addition to conducting investigations to reveal the full details and analyzing the root causes, we will formulate measures to prevent recurrence based on the findings. We intend to implement the final countermeasures based on the findings of the committee's investigation as well as the confirmation of the Ministry of Land, Infrastructure, Transport and Tourism and other relevant ministries and agencies. At the same time, we have already been doing whatever we can at present, such as separating the certification function from our development department to reinforce the inspection system for legal certifications. We will fully identify our inadequacies, strive to prevent recurrence by taking the necessary measures and build a corporate culture that places the greatest importance on compliance and safety.

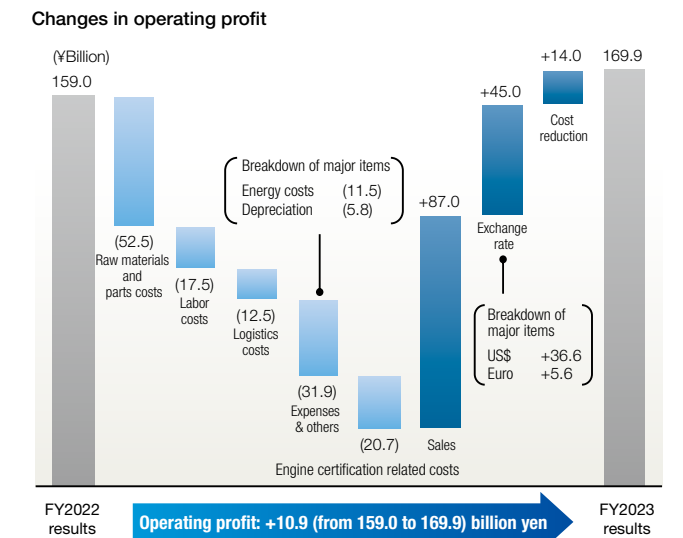
Once again, I want to apologize for the inconvenience and concern experienced by our stakeholders. We take this problem seriously and are determined to work to improve.

\* We later obtained the certification of engines for small lift trucks that are our mainstay models in our sales of gasoline/LPG lift trucks in North America and resumed shipments in May 2022. We will sequentially take measures for the remaining models.

## External Environment and Review of Fiscal 2023

In fiscal 2023, although the automobile market and the materials handling equipment market remained strong on the back of the recovery of the global economy, the external environment remained difficult overall. Unresolved supply chain disruptions caused production to remain below our targets. The exchange rate fluctuated more widely than expected. In addition, we were affected by global inflation, which caused raw materials, transportation, labor and other costs to soar.

In this environment, we sought to increase production as much as possible by steadily capturing opportunities in strong markets and ensuring safety and quality. As a result, we achieved historic-high net sales and a high level of profit. I believe this is because our employees, suppliers and other related people worked as one team and did their best in their respective positions even amid an uncertain future.



Results by business segment are as follows. In automobile-related businesses, our production structure was well prepared to ensure that we were able to tap into the recovery of the automobile market. We were forced to set non-operation days at the Nagakusa Plant for vehicle assembly and at other plants due to the impact of COVID-19 and the shortage of semiconductors and other parts. However, we achieved our highest net sales in the Automobile Segment since the adoption of the International Financial Reporting Standards in fiscal 2017, underpinned by other businesses such as car air-conditioning compressors. In the Materials Handling Equipment Business, demand was strong for both lift trucks and logistics solutions. Although we had to raise prices due to inflation, orders received remained robust, and net sales reached a record high. On the other hand, the instability of the supply chain also had repercussions for the Materials Handling Equipment Business, and production and unit sales of lift trucks were below the initial plan. As for logistics solutions, things didn't turn out as we expected, such as delays in the progress of projects and cost increases. These factors negatively impacted profits of the Materials Handling Equipment Business as a whole.

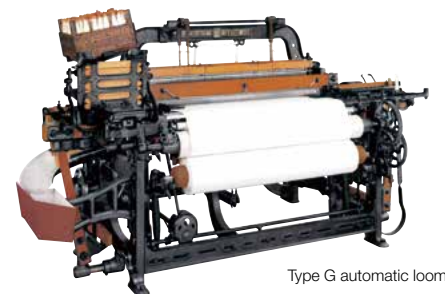
Going forward, we would like to remain highly responsive and flexible to an uncertain future and the accelerating changes in the external environment.

### What We Can Learn from Our History

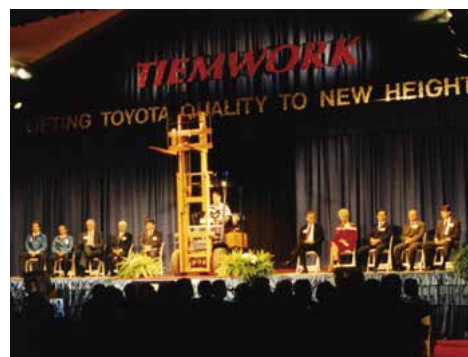
Since our establishment, we have engaged in research and development based on manufacturing that contributes to the improvement of society by identifying customer needs as the world has undergone changes in many ways.

Our history started with the manufacturing and sales of automatic looms. However, we did not limit ourselves to textile machinery and entered the automobile business anticipating the motorization of society. We subsequently expanded our business domains to include the materials handling equipment business focused on lift trucks, and we continue to grow steadily. In addition, we have been proactively expanding outside Japan since the 1980s. Combined with M&A activities, these efforts have broadened the scope of our activities globally. Based on our founding spirit, we have been focusing on our strengths and what the world needs while working steadily to establish a solid foothold. I believe this has allowed us to overcome many hardships, such as World War II, the 1973 oil crisis and the 2008 global financial crisis. It has made us what we are today.

At present, we provide diverse products with a focus on automobile-related businesses and the Materials Handling Equipment Business. Looking back at the past, however, it was never smooth sailing. In 1954, we established a textile machinery production base in Mexico. However, we were forced to withdraw from the country in a matter of less than eight years due to reasons such as a delay in factory construction and the Mexican government's retraction of support. I believe that this firsthand experience of the difficulties of doing business outside Japan was leveraged in our subsequent global expansion. In 1958, we launched the agricultural machinery business but again withdrew from it after roughly eight years due



Type G automatic loom



TIEM established

to the inconsistency of our products' performance and our inexperience in sales. I think that the takeaways from these bitter lessons were how to navigate difficulties in manufacturing outside Japan and the value to be cherished in sales activities.

We currently face various difficulties and we will certainly be confronted with hardships in the future. Carrying on our founding spirit and learning from our history, which is built on the painstaking efforts of our predecessors, we are committed to making our utmost efforts and overcoming setbacks so that when we look back in the future, we will find meaning in such experiences.

### Medium-Term Direction

#### Expanding Businesses to Achieve Vision 2030

The performance of the Textile Machinery Business has many ups and downs because it is greatly affected by the global textile markets. Therefore, we aimed to break away from being dependent on a single business and began to focus our

efforts on the diversification of our business in the 1950s. Lift trucks and car air-conditioning compressors, which we developed through a series of trial and error, have now grown into core businesses that drive our company. Fortunately, both our Automobile Business and Materials Handling Equipment Business have continued to grow steadily thanks in part to the ongoing expansion of the market. We will engage in R&D and sales expansion activities with a focus on these two businesses to achieve Vision 2030, which represents what we aspire to be in the medium term.

Specifically, we will focus our efforts on the domains of electrification and automation, which are identified as our CSR material issues (materiality), to create new values. In the field of automobiles, the move toward electrification is irreversible. As such, we will capture opportunities created by the expansion of the market, with a clear focus on electric compressors that can be installed in all types of electrified vehicles, and strive to further expand sales of car electronics products and bipolar nickel-metal hydride batteries for hybrid electric vehicles (HEVs). Turning to the field of materials handling equipment, the logistics volume is expected to increase in tandem with the global economy, which is projected



Electric compressor



to grow in the medium term. Moreover, the development of e-commerce has led to the increasing frequency and smaller units of delivery. We expect that the need for labor savings, greater efficiency and automation of logistics operations will continue to increase in response to changes in the surrounding environment that includes rising labor costs, labor shortage and workstyle reforms at logistics sites. In response, we intend to meet customer expectations in dual business fields of lift trucks, of which we offer a full lineup around the world, and logistics solutions, for which we provide products and services for projects of all sizes in many different regions.



Pocket sorter by Vanderlande

#### Further Strengthening Relationships with Stakeholders by Striving to Achieve Even Greater Harmony with Society

To achieve sustainable growth in harmony with society, it is important to ensure that our businesses continue to benefit society, instead of relying solely on the growth of the market. It is when we are needed and selected by society that we can grow. We will engage in activities primarily for the happiness of customers and all stakeholders involved in our businesses, not to mention the protection of the global environment. At the same time, we will strive to further reinforce the foundation supporting our corporate activities, including our organizations, systems, human resource development and digitalization.

On the environmental front, climate change is a challenge that urgently needs to be addressed on a global scale and we have been acting accordingly. In production, for example, we are producing results by consistently working on energy-saving activities and sharing best practices among business divisions. We intend to persistently pursue these activities. Meanwhile, we have been utilizing renewable energy and developing new technologies conducive to decarbonization to steadily advance initiatives to achieve carbon neutrality. In the field of product development, we plan to reduce the environmental impact of using our products by applying our electrification, fuel cell and other technologies while facilitating collaboration between the Materials Handling Equipment Business and the automobile-related businesses. At the same time, we will work to improve the competitiveness of our products.



Fuel cell lift truck

Regarding biodiversity, which is closely related to climate change, our employees participate proactively in conservation activities that take advantage of the characteristics of each plant, mainly in the vicinity of our production bases. We intend to expand these initiatives in the future.

Looking at social responsibility, we will strive to enhance the whole Toyota Industries Group through a variety of initiatives already being undertaken to date. They include carrying out comprehensive safety measures with a clear focus on ensuring thorough compliance, promoting diversity and respecting human rights not only in all our corporate activities but throughout the supply chain. Based on the Human Rights Policy formulated in 2021, we will strive to steadily enhance activities regarding respect for human rights, without limiting these activities to within the supply chain.

We will also enhance dialogue with investors, shareholders and other stakeholders to promote their understanding of our current situation and



Information session on the Materials Handling Equipment Business

stance as well as identify the areas where they consider we are doing well and we are not taking sufficient measures. We will continue to ensure these findings are reflected in our management. Going forward, our efforts will focus on identifying changes in society and the things that are required of us through dialogue with our stakeholders, thus contributing to the development of society as a good corporate citizen.

#### Building a Foundation for Sustainable Growth

To reinforce our foundation, it is important to make sure that every employee understands the importance of safety, health and quality based on compliance, and that these basics are continually emphasized and enforced. Based on this understanding, we will strive to reinforce our foundation for sustainable growth through two-pronged strategies. One is to promote the adoption of information and digital technologies and use them for reskilling a wide spectrum of employees, from young employees to older employees. The other is to maintain and increase our overall competitiveness by enabling our diverse employees to leverage their diversity, facilitating collaboration and providing venues for them to thrive. In this dramatically changing environment, we will build a foundation that will turn change into an opportunity rather than a risk.

As for corporate governance, we will seek to build an optimal structure to achieve the sound and sustainable development of the Toyota Industries Group while considering changes in what is expected of companies. As we aim to realize highly effective governance, we will continue to ensure that the Board of Directors engages in open and robust discussion while leading the Toyota Industries Group in a well-balanced manner based on diverse opinions, thereby connecting these efforts to enhance corporate value. For the promotion of the diversity of executives, we believe it should involve more than just formality. It is an important Company-wide task that entails the continued development of a workplace environment enabling women and other diverse human resources to fully demonstrate their capabilities. Based on this belief, we will take a bottom-up approach to implement this initiative.

#### In Conclusion

We desire to develop businesses by gaining the understanding and support of our stakeholders through the provision of products and services that are helpful to society, thus contributing to making the earth a better place to live, enriching lifestyles and promoting a compassionate society. To achieve this goal, we will recognize and squarely face the current situation, rectify the points that require rectification and look forward to the future in our efforts to achieve corporate growth. We will attach importance to safety and quality with compliance as a fundamental principle and strive to build a workplace environment that enables diverse colleagues to thrive and work with a sense of pride. Through these efforts, we will continue to forge ahead so that we will remain needed by society.

We look forward to your continued understanding and support as we endeavor to implement these initiatives.

