

Business Results and Financial Position

1. Business Results and Financial Position

In fiscal 2008 (ended March 31, 2008), the Japanese economy continued on a moderate recovery track as private-sector capital investment increased amid strong corporate earnings. Consumer spending picked up momentum as well on the back of improved employment conditions. In the second half of the fiscal year, however, the economy came to a standstill as a result of soaring crude oil and other raw material prices, apparent deceleration of the U.S. economy triggered by the subprime loan debacle as well as rapid depreciation of the U.S. dollar. Overseas, despite the impact of deceleration of the U.S. economy beginning to reverberate around the world, the European economy remained solidly on track and China and India maintained high economic growth.

In this operating environment, Toyota Industries undertook efforts to strengthen its management platform by ensuring customer trust through its dedication to quality, the development of appealing new products, aggressive sales promotions and the execution of a Group-wide program to reduce costs.

As a result, total consolidated net sales amounted to 2000.5 billion yen, an increase of 122.2 billion yen, or 7%, over fiscal 2007 (ended March 31, 2007). The following is a review of operations for the major business segments.

Sales increased in the automobile industry as a whole. Although sales in Japan were sluggish during fiscal 2008, higher sales overseas, primarily in emerging markets, gave rise to an overall increase in overseas sales.

Net sales of the Automobile Segment totaled 969.2 billion yen, an increase of 64.4 billion yen, or 7%, over fiscal 2007.

Within this segment, net sales of the Vehicle Business totaled 500.1 billion yen, an increase of 29.9 billion yen, or 6%, over fiscal 2007, due mainly to an increase in sales of the Vitz (Yaris in Europe) as well as the start of production of the new Mark X Zio in September 2007.

Net sales of the Engine Business totaled 178.7 billion yen, an increase of 11.3 billion yen, or 7%, over fiscal 2007. Overseas, although sales of AD diesel engines installed in the RAV4 for Europe decreased, sales increased for KD diesel engines for Toyota Motor Corporation's Innovative International Multi-Purpose Vehicle (IMV) Series as well as VD diesel engines installed in the Land Cruiser.

Net sales of the Car Air-Conditioning Compressor Business totaled 253.5 billion yen, an increase of 18.1 billion yen, or 8%, over fiscal 2007. While sales decreased in the Japanese market, sales increased overseas, primarily in Europe.

In the materials handling equipment industry as a whole, sales remained at the same level as fiscal 2007 in the Japanese market. Overseas markets continued to expand with increases in sales in Europe and developing countries.

Net sales of the Materials Handling Equipment Segment totaled 783.1 billion yen, an increase of 15.9 billion yen, or 2%, over fiscal 2007. Excluding the effects of changes in the fiscal year-end of certain overseas subsidiaries in fiscal 2007, net sales increased 80.6 billion yen, or 11%. With regards to lift trucks, Toyota Industries strove to enhance its sales network, resulting in increases in total unit sales for both the TOYOTA and BT brands backed by the robust European market. Sales of aerial work platforms were solid, bolstered by replacement demand from customers in the electricity and construction industries.

The overall operating environment remained severe in the logistics industry as the volume of cargo transport continued to decline in the Japanese market accompanied by an increase in costs resulting from higher crude oil prices.

Amid this environment, net sales of the Logistics Segment totaled 117.5 billion yen, an increase of 28.1 billion yen, or 31%, over fiscal 2007. This was due largely to the solid performance of transportation businesses accompanied by an increase in the transport volume of automotive parts in addition to making Wanbishi Archives Co., Ltd, which provides services of total information management, a wholly owned subsidiary in May 2007.

In the textile machinery industry as a whole, the mainstay Chinese market remained strong on the back of robust capital investment supported by rapid growth.

Net sales of the Textile Machinery Segment totaled 66.2 billion yen, an increase of 7.8 billion yen, or 13%, over fiscal 2007. In fiscal 2008, Toyota Industries sold more than 10,000 air-jet looms, primarily to China, for the second consecutive year. Cumulative production of 100,000 air-jet looms, which Toyota Industries began manufacturing in 1980, was also commemorated in February 2008. Strong sales of spinning machinery in Vietnam and Indonesia also contributed to the strong performance of the segment.

During fiscal 2008, ordinary income amounted to 126.4 billion yen, an increase of 18.0 billion yen, or 17%, over fiscal 2007. Despite the effects of higher depreciation expenses, sharp rises in raw materials

and parts cost as well as higher personnel expenses, this increase was achieved due largely to expanded sales, cost-reduction efforts throughout the Group and an increase in non-operating income. Net income amounted to 80.4 billion yen, an increase of 21.0 billion yen, or 35%, over fiscal 2007.

Cash flows from operating activities increased by 188.8 billion yen in fiscal 2008, due mainly to income before income taxes in the amount of 132.3 billion yen. Net cash provided by operating activities increased by 11.4 billion yen from 177.4 billion yen in fiscal 2007. Cash flows from investing activities resulted in a decrease in cash of 138.7 billion yen in fiscal 2008, attributable primarily to payments for purchases of property, plant and equipment amounting to 135.5 billion yen. Net cash used in investing activities decreased by 25.7 billion yen from 164.4 billion yen for fiscal 2007. Cash flows from financing activities resulted in a decrease in cash of 33.9 billion yen in fiscal 2008, due mainly to repayments of bonds in the amount of 60.0 billion yen. Net cash provided by financing activities decreased by 14.2 billion yen from 19.7 billion yen in fiscal 2007.

After translation adjustments, cash and cash equivalents as of March 31, 2008 stood at 121.2 billion yen, an increase of 12.7 billion yen, or 12%, over fiscal 2007

2. Distribution of Profits for FY2008

Including the interim cash dividend of 28.0 yen per common share paid in November 2007, and a year-end cash dividend of 32.0 yen per common share, Toyota Industries declares that total cash dividends for fiscal 2008 will be 60.0 yen per common share, an increase of 10.0 yen per common share over fiscal 2007.

3. Forecast for the Fiscal Year Ending March 31, 2009

In fiscal 2009, ending March 31, 2009, uncertainties persist as ongoing depreciation of the U.S. dollar, further rises in raw materials costs and a global stock market slump are anticipated. There are also concerns over the impact that a delay in the U.S. economic recovery might have on the global economy.

Amid this challenging operating environment, Toyota Industries forecasts consolidated net sales of 2050.0 billion yen, operating income of 77.0 billion yen, ordinary income of 107.0 billion yen and net income of 59.0 billion yen. By segment, we forecast net sales of 970.0 billion yen in the Automobile Segment and 840.0 billion yen in the Materials Handling Equipment Segment. We are determined to place utmost emphasis on product quality, the environment and safety, and promote the development of leading-edge technologies to provide high value-added products that anticipate customer needs. Toyota Industries will further make concerted efforts to engage in strengthening sales and service structures, enhancing the value chain and undertaking Group-wide cost reduction activities.

Our projections are based on an exchange rate of ¥100.0 = US\$1.