Dear Shareholders:

Gratifying Performance Despite Adverse Environment

For the fiscal year ended March 31, 2003 ("fiscal 2003"), Toyota Industries posted consolidated net sales of ¥1,069.2 billion (US$8,895.3 million), up 9.1% over fiscal 2002, which marked a record high for a fourth consecutive year. Consolidated operating income increased 13.3% to ¥52.5 billion (US$436.6 million). Consolidated ordinary income totaled ¥51.4 billion (US$427.4 million), up 7.3%. Both these figures were record highs. Consolidated net income, however, decreased 19.7% to ¥21.9 billion (US$182.5 million). This was because we posted extraordinary losses in fiscal 2003 that arose from a loss on disposal of property, plant and equipment as a result of the relocation of a foundry plant, as well as a downward re-evaluation of investment securities.

Our results were all the more remarkable given the adverse business environment prevailing in the fiscal year. The growth of the Japanese economy was anemic, with further signs of deflation, and the government restricted in its policy options due to its huge fiscal deficit. A poor stock market performance, stagnant consumer spending and weak capital investment all culminated in economic stagnation. The growth rate of the U.S. economy slackened, and the European economy continued to decelerate. Though ended quickly, the war with Iraq led by the United States and the United Kingdom cast a dark shadow over the world economy. Toward the end of the fiscal year, the SARS (Severe Acute Respiratory Syndrome) epidemic had serious effects on the Asian economy, notably on China and Hong Kong.

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥120.20=US$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2003.

Akira Yokoi
Chairman

Tadashi Ishikawa
President

All Segments in Good Shape

Toyota Industries' business segments all increased their net sales over fiscal 2002. Operating incomes also increased except for the Others Segment.

Note: *Segment net sales figures do not include intersegment transactions. However, segment operating income figures do include operating income arising from intersegment transactions.*

Automobile Segment

Net sales totaled ¥595.5 billion (US$4,953.9 million), up 5.7% over fiscal 2002 and accounting for 55.7% of total net sales. The increase was due mainly to a rise in sales of car air-conditioning compressors. Operating income was ¥30.1 billion (US$250.5 million), up 4.0% over the prior fiscal year.

Materials Handling Equipment Segment

Net sales totaled ¥373.0 billion (US$3,103.2 million), an increase of 5.7% over fiscal 2002. This increase was due mainly to the consolidation of the financial results of TOYOTA Material Handling Company's ("TMHC's") overseas sales subsidiaries, which we acquired during fiscal 2002, for the full year. Operating income was ¥16.2 billion (US$134.6 million), up 21.0% over the prior fiscal year.

Textile Machinery Segment

Net sales totaled ¥48.7 billion (US$405.5 million), an increase of 58.7% over fiscal 2002, due mainly to a substantial increase in sales of air-jet looms, one of this segment's primary products, to China. Operating income was ¥2.3 billion (US$19.2 million), a big turnaround from an operating loss of ¥0.4 billion (US$3.2 million) in the previous fiscal year.

Others Segment

Net sales totaled ¥52.0 billion (US$432.7 million), up 58.5% over fiscal 2002, due largely to the consolidation of the Taikoh Transportation Group. Operating income was ¥3.9 billion (US$32.5 million), a decrease of 12.7% from the prior fiscal year, due primarily to an increase in depreciation that accompanied TIBC Corporation's capital investment.

Achievements in Fiscal 2003

Capital and Business Collaboration

In May 2002, following the conclusion of a comprehensive agreement on capital and business collaboration between Toyota Industries and Aichi Corporation ("Aichi"), Toyota Industries acquired 34% of Aichi's outstanding shares. We also obtained a warrant that would raise our holding to 51%. In May 2003, we exercised the warrant, incorporating Aichi into our network of subsidiaries. Aichi is a leading manufacturer of special-purpose vehicles, with its truck mount aerial work platforms and self-propelled aerial work platforms boasting a market share of approximately 70% in Japan. In April 2003, Aichi unveiled a medium-term plan that aims to achieve consolidated net sales of ¥40.5 billion and consolidated ordinary income of ¥3.0 billion for the fiscal year ending March 2006. In order to turn its business performance around, Aichi is reforming the revenue structure of its special-purpose vehicle business, improving the profitability of its after-sales service business for truck mount aerial work platforms and self-propelled aerial work platforms. Aichi also aims to expand into the North American market and further enhance its presence in the Chinese market. Toyota Industries intends to provide Aichi with support in the areas of production technology, production control know-how and personnel.

Making Inroads into the Logistics Solutions Business

Recognizing its growth potential, Toyota Industries entered into the Logistics Solutions Business in fiscal 2003, responding to increasing market needs for streamlined logistics operations in Japan. This is an area in which we can take advantage of our longstanding experience in production and sales of materials handling equipment such as forklift trucks and automated storage and retrieval systems, as well as our production know-how as demonstrated in the Toyota Production System.

As part of that move, in March 2002 Toyota Industries established Advanced Logistics Solutions Co., Ltd. (called "ALSO"), a 100% subsidiary that plans overall logistics operations (including distribution) and operates distribution centers. ALSO aims to play an important role in our Logistics Solutions Business.

We also began other collaboration in this field through investment (indirect investment through ALSO with 60% equity) in Teion Shokuhin Ryutsu Inc. and capital participation (5% equity) in Yukijirushi Access, Inc.

In addition, in February 2003, we concluded an agreement on business collaboration with Trancom Co., Ltd. ("Trancom"), which possesses advanced information systems and proven distribution center management capability. As part of the collaboration, in April 2003, Toyota Industries and Trancom established a joint company to undertake the logistics solutions business.

Improving Product Quality

At Toyota Industries, we constantly put our best efforts into improving the quality of our products and services so that they will ensure customer satisfaction. For example, each of our divisions sets ambitious, yearly quality goals. In addition, not only the director in charge of product quality and division managers (or an in-house company president) but also President Ishikawa himself makes an on-site inspection to check the quality improvement activities and confirm progress in attaining quality goals.

Cost-Reduction Activities

Starting April 2001, Toyota Industries embarked on an ambitious three-year cost-reduction program to be implemented throughout the Company. We achieved most of the objectives in the second year, i.e., fiscal 2003. We established a special project team in each business division to ensure that our cost-reduction activities were systematic and thorough. In addition to enhancing our ongoing value engineering (VE) and value analysis (VA) activities, we reduced general expenses and head office fixed costs, and sought to optimize our procurement of materials and components globally.

Exploiting Information Technology (IT)

Recognizing that the utilization of the latest advances in IT has a significant impact on strengthening corporate structure and enhancing market competitiveness, we are further accelerating the introduction of IT.

In May 2002, we opened "e-Lab," our base station for advanced use of IT for the Company and its subsidiaries. It serves as our database center, managing a vast range of information from Group companies. The lab is engaged in a vast array of activities, including developing information systems and building a network infrastructure among domestic and overseas bases. It is also responsible for installing three-dimensional computer-aided design (CAD) and computer-aided engineering (CAE) systems, and researching digital simulation technologies with a view to reducing lead-times from development to manufacture to shipment.

The effects of these actions should be felt in a shortened product development period, increased product competitiveness and improved productivity of technology departments. The introduction of enterprise resource planning (ERP) systems in the accounting and purchasing departments has contributed to more efficient accounting, order-placing and payment transactions.

Completion of New Car Air-Conditioning Compressor Plant

In July 2002, the Higashiura Plant started operations to manufacture parts for car air-conditioning compressors. The market demand for our compressors is expected to rise, and in order to cope with this increase, we are reinforcing the production capacity of our facilities in Japan, North America and Europe. In Japan, now that we have completed our Higashiura Plant, we have a three-plant structure—in Kariya, Obu and Higashiura. Under the concept of using natural energy and attaining harmony with the surrounding environment, we constructed the Higashiura Plant to consume 20% less electricity than conventional plants of comparable size and production capacity. We installed clean energy systems such as wind and solar power generators as well as a cogeneration system. We also installed a water recycling system and a rainwater utilization system to conserve water resources.

Commencement of Local Production and Reinforcement of Sales Network in China

In anticipation of expanding demand in China, TMHC constructed a new forklift truck assembly plant within the

Tadashi Ishikawa
President

premises of Toyota Industry (Kunshan) Co., Ltd., which is engaged in the production of foundry parts in Kunshan, Jiangsu Province, China. TMHC began local production of 1-3 ton internal combustion counterbalanced forklift trucks, top-sellers in the country, in April 2003.

In May 2003, we established Toyota Material Handling (Shanghai) Co., Ltd. jointly with Toyota Tsusho Corporation 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 an initiative in forging a strong sales network through the enhancement of its dealer network.

Local Production of Diesel Engines in Poland

In October 2002, we established Toyota Motor Industries Poland Sp.zo.o. ("TMIP") jointly with Toyota Motor Corporation ("TMC") to manufacture diesel engines in Jelcz-Laskowice, Poland. The Company's equity share is 40%. To accommodate an expected expansion of demand in Europe, TMIP will engage in the production of 2000cc-class diesel engines. TMIP is slated to start operations in 2005, with an initial annual production capacity of 150,000 units. The total investment in this enterprise is expected to be 200 million euros.

Medium-Term Management Vision for Continuous Growth

Through growth in areas such as materials handling equipment, car air-conditioning compressors, diesel engines, electronics and logistics solutions, Toyota Industries is aiming for an ambitious medium-term target of consolidated net sales of more than ¥1.2 trillion (US$9,983.4 million) and consolidated ordinary income of ¥80 billion (US$665.6 million) by fiscal 2006, ending March 31, 2006. The Company plans to strive for continued expansion by implementing management strategies from the medium- to long-term standpoints.

Basically, we intend to allocate significant management resources to the Materials Handling Equipment Segment and Car Air-Conditioning Compressor Business in order to further reinforce their already strong competitive advantage. We intend to establish a diesel engine development/production structure to contribute to TMC's global strategy, and assume a full-fledged commitment in the Logistics Solutions Business, a potential growth area in Japan, in which we have know-how and technological advantages. We also plan to promote new technologies and business areas that will form the core of our future operations, including the Electronics Business. Further, we intend to take actions to secure our global presence, maintain a high standard of quality control, engage in cost-reduction activities, change business procedures through the utilization of IT, and focus on the development of personnel with specialized knowledge of the Toyota Production System, which is a source of our competitive edge.

Business Outlook for Fiscal 2004

The future course of the world economy is even more unpredictable than ever. We expect that in fiscal 2004, ending March 31, 2004, Toyota Industries will face increasingly challenging economic and management conditions.

In these circumstances, we intend to ensure that our products and services are attuned to market needs. We also plan to continue with our cost-reduction activities. We expect that our strategy will include a wider use of IT in improving management efficiency and a strengthening of our management base to make it even more responsive to market changes.

Our long-standing policy of diversification is beginning to pay off, in that even if some of our businesses experience difficulties in an unstable market environment, other businesses will perform well enough to allow Toyota Industries to continue on the path to stable and sustained growth.

Although uncertainties prevail in the global economic and political landscapes, for fiscal 2004 we forecast consolidated net sales of ¥1,100.0 billion (US$9,151.4 million), up 2.9% over fiscal 2003, consolidated ordinary income of ¥57.0 billion (US$474.2 million), up 10.9%, and consolidated net income of ¥34.0 billion (US$282.9 million), up 55.0%.

Note: The financial projections set forth above are based upon a number of assumptions and estimates that, while presented with numerical specificity and considered reasonable by us when taken as a whole, are inherently subject to significant economic, business, competitive, regulatory and operational uncertainties, contingencies and risks, many of which are beyond our control. Financial projections are necessarily speculative in nature, and it can be expected that one or more of the assumptions underlying the projections will prove not to be valid, and unanticipated events and circumstances are likely to occur. Actual results will vary from the financial projections and those variations may be material. Consequently, this report should not be regarded as a representation by us or any other person that the financial projections will be achieved. Current negative market trends in the global economy make it particularly difficult at present to predict product demand and other related matters.

Increasing Shareholder Value

The most important aspect of our corporate mission is to increase shareholder value. We consistently aim to improve profitability and achieve stable corporate growth through implementation of ambitious strategies with specific goals in each business area, and by streamlining management. At the same time, as a responsible corporate citizen, we emphasize activities to protect the natural environment and fulfill our other social responsibilities.

In fiscal 2003, we implemented important measures for continuous growth, and we attempt to take a range of steps to secure our competitive edge in an environment of continual market and management changes. The nature of these changes is difficult to predict, but the management team of Toyota Industries is fully dedicated to the growth and prosperity of your company.

We are not complacent, but we are confident that we have excellent personnel who can think and act independently in accordance with our corporate philosophy and management strategies. This factor does not appear in the balance sheets, but our employees are one of the most important and precious assets of Toyota Industries. They share the same set of values as the top management, raising value in terms of development, manufacturing and sales. We believe first-class staff are a source of producing outstanding shareholder value in an ever-changing, uncertain management environment. We intend to continue to make strenuous efforts in the field of personnel development for Toyota Industries' future growth and prosperity.

In this annual report, we have described the direction in which the management team is trying to lead Toyota Industries. We sincerely hope this report will help all our investors, shareholders and other stakeholders to understand where we are heading. As we look to secure further growth in shareholder value, we respectfully request a continuation of the support we have enjoyed to date.

July 2003

Akira Yokoi
Chairman

Tadashi Ishikawa

Tadashi Ishikawa
President