

## Medium-Term Management Vision for Further Business Expansion

In May 2001, we unveiled our medium-term strategy for continuous growth, targeting consolidated sales of ¥1.2 trillion and consolidated ordinary income of ¥80 billion for fiscal 2006 (ending March 31, 2006). Through consistent implementation of the strategy, we believe we can expand our corporate value.

### Strengthening Competitive Advantages and Securing Global Leadership in the Materials Handling Equipment and Car Air-Conditioning Compressor Fields

Toyota Industries is determined to retain its leading position in Japan and remain the global leader among manufacturers of materials handling equipment. Steps already taken to achieve that goal include the acquisition of BT Industries AB ("BT Industries") and the transfer of Toyota Motor Corporation's ("TMC's") Industrial Equipment Sales Division to the Company. These measures will enable swifter decision-making and more

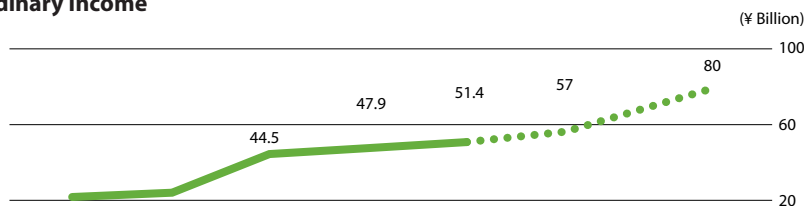


dynamic business management in reflecting customer needs and responding to market changes on a global scale.

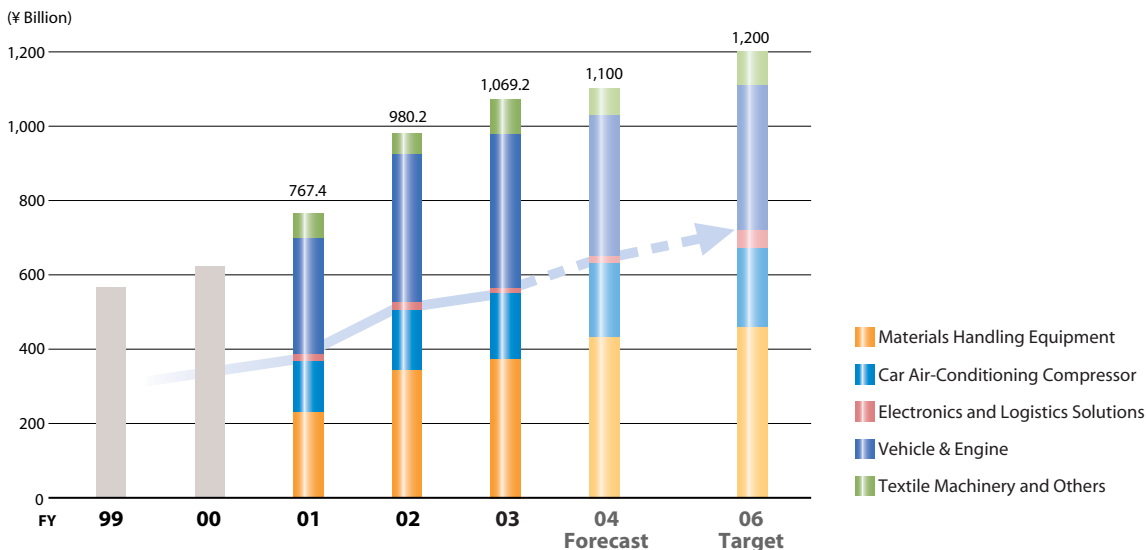
Benefits of synergy resulting from our acquisition of BT Industries are already apparent, and expected to become even more so. We have started to supply counterbalanced forklift trucks to BT Industries on an OEM basis. We are also distributing BT Industries' warehouse trucks in Japan as well as Europe and the U.S. These exchanges will be broadened to include other products. We intend to introduce our manufacturing technique, the Toyota Production System ("TPS"), to BT Industries. In return, we are drawing on BT Industries' wealth of sales know-how, in particular its solution-proposal sales technique. We have begun to introduce BT Industries' fleet management program to reinforce our sales

### Medium-Term Sales and Income Targets (Consolidated Base)

#### Ordinary Income



#### Net Sales



activities in Japan. We will also promote personnel and technology exchanges, as well as joint component purchase and product development.

The Materials Handling Equipment Segment is striving to adopt a global perspective in developing products that meet customer/market needs and carrying out strategic marketing through enhanced sales and service activities in order to maximize customer satisfaction and business performance.

To consolidate our leading international position in the car air-conditioning compressor manufacturing field, we attempt to continue to develop new products tailored to ensure customer satisfaction. Car air-conditioning compressor production bases in Japan, the U.S. and Europe allow us to stay close to customers, meet their needs more precisely and reduce distribution costs and exchange rate risks. The proportion of cars in Europe fitted with air-conditioning systems is expected to continue rising and we aim to make the most of this opportunity. We shall also seek to increase sales in the North American market.

In summary, the Materials Handling Equipment Segment and the Car Air-Conditioning Compressor Business are core operations, and serve as the strategic driving force in the achievement of our medium-term corporate objectives. As we cannot expect a great increase in demand in the maturing Japanese market, it is vital that we expand our global presence to ensure further business expansion, and we shall commit resources to these fields on an appropriate scale.

### ***Fostering New Core Businesses, including Electronics and Logistics Solutions***

We regard our electronics operations, which are now comparatively small, as a business area with good growth potential over the long term. We believe the opportunities in this field are substantial. The core of our Electronics Business is made up of the following: ST Liquid Crystal Display Corp. ("ST-LCD"), a joint venture with Sony Corporation; TIBC Corporation ("TIBC"), a joint venture with Ibiden Co., Ltd.; and the Corporate Technical Center (an in-house organization).

ST-LCD manufactures low-temperature poly-Si TFT-LCDs, while TIBC produces ball grid array (BGA) plastic package substrates and flexible printed circuit (FPC) substrates. As a result of using TPS, ST-LCD's quality levels and production volume have improved substantially. The functionality of ST-LCD's products, including high numerical aperture, high resolution and energy efficiency, is expected to generate

increased demand for applications in digital cameras, mobile phones and personal digital assistants (PDAs). To expand business in line with the medium-term business plan, ST-LCD doubled its production capacity through a capital investment program in the fall of 2001, and started operations at the new facilities in fiscal 2002.

Although TIBC experienced difficulties due to the worldwide IT slump, we expect the company to see an improvement in business performance through cost-reduction activities and the manufacture of high-performance package substrates.

As we believe the growth potential of the Electronics Business in the medium to long term is promising, we see it as one of our core businesses. We intend to allocate management resources accordingly in anticipation of a successful future for our LCD and other electronics-related businesses.

In fiscal 2003, Toyota Industries entered into the logistics solutions business in Japan. We aim to respond to customer needs for total logistics cost-reduction and improved logistics operations by utilizing our longstanding experiences 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. Toyota Industries expects its Logistics Solutions Business to grow into one of the pillars of its business.

As part of our move into the Logistics Solutions Business, 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. Responding to increasing market needs for streamlined logistics operations, ALSO aims to provide customer-oriented proposals for optimized logistics solutions and cost-reduction, so playing an important role in our Logistics Solutions Business.

We began more collaborations in this field through investment (indirect investment through ALSO with 60% equity) in Teion Shokuhin Ryutsu Inc., which undertakes storage and distribution of chilled foods, as well as capital participation (5% equity) in Yukijirushi Access, Inc., one of the largest wholesalers of chilled and frozen foods in Japan.

In addition, in February 2003, we concluded an agreement on business collaboration with Trancom Co., Ltd. ("Trancom"), a logistics consulting and management business. Trancom's advanced information systems and proven distribution center management capability complement Toyota Industries'

comprehensive capacity for proposing logistics solutions and expertise in optimizing on-site logistics operations. In April 2003, Toyota Industries and Trancom jointly established ALTRAN Corporation (60% equity), which is responsible for acquiring new customers as well as the planning and management of logistics operations. As part of the collaboration, Toyota Industries purchased 1.05 million of Trancom's shares (10% equity) in February 2003.

In time, we hope the Logistics Solutions Business will grow into one of our core businesses in the medium to long term, and we are investing management resources accordingly.

Toyota Industries will strive to aggressively explore and develop promising new technologies and businesses such as the Electronics and Logistics Solutions businesses, and expand these operations on a long-term, stable basis.

### **Further Cost-Reduction and Enhanced Manufacturing Quality in the Vehicle and Engine Businesses**

The Vehicle (automobile assembly) and Engine businesses have provided stable revenues for the Automobile Segment. In the medium term, we aim to improve cost management and so maintain profitability in these fields.

Our Vehicle Business, one of the manufacturing bases for the Toyota Group's small cars, strives constantly to enhance the attractiveness of TOYOTA cars by further improving product quality and cost efficiency, making proposals for the design and launch of new compact cars, and improving production technology.

In the Engine Business, we work constantly to enhance the environment-friendly features of our engines without compromising their performance, and to contribute to the improvement in the overall performance of TOYOTA cars. In October 2002, we established Toyota Motor Industries Poland Sp.zo.o. ("TMIP") jointly with TMC to manufacture diesel engines in Jelcz-Laskowice, Poland. Though our share of investment is only 40%, we are entrusted with production and overall operations. TMIP is slated to start production of 2000cc-class diesel engines in 2005. We will work together with TMC to develop high-quality, environmentally sound diesel engines for passenger cars, and strengthen our design and development capabilities for diesel engines.

Our Vehicle and Engine businesses are our sources of stable revenues. We will strive to continue to improve cost

competitiveness, establish a flexible production system and strengthen the business foundation.

### **Extensive Cost-Reduction Campaign**

To survive ruthless price competition worldwide, it is essential to regularly market attractive products, implement sustained cost-reduction programs and reform our revenue structure. In April 2001, we began an ambitious three-year cost-reduction program to substantially reduce operating and other costs. A project team in each business division promotes VE (Value Engineering), VA (Value Analysis) and other cost-reduction activities in order to achieve an even higher level of overall efficiency. Measures to be taken include reducing expenses through optimized global procurement of materials and components, and cutting back fixed costs at the head office.

### **Promoting a Global Presence**

It is impossible to rely solely on the Japanese market in seeking further business expansion. Toyota Industries has established production bases for forklift trucks and car air-conditioning compressors in North America and Europe. For years, we have been engaged in local production of foundry parts in China and textile machinery and others in India. In June 2000, we acquired BT Industries, a Swedish warehouse truck manufacturer, as part of our globalization scheme. Also, in October 2002 we established a new company in Poland jointly with TMC to manufacture diesel engines.

Based on our belief that globalization is essential for expansion in terms of business scale and corporate value, we will strive to procure high-quality and price-competitive parts from worldwide sources, and engage in the production of superior products close to our customers worldwide.

### **Harnessing the Power of Information Technology (IT)**

We recognize the importance of IT as a key factor in corporate competitiveness, and we are attempting to accelerate its application accordingly.

In May 2002, Toyota Industries opened "e-Lab," an information technology research laboratory, as a key organization for the information system division as well as our R&D facility for information technology. E-Lab is responsible for researching digital simulation technologies with a view to reducing lead-times from development to manufacture to

shipment. It is also involved in developing an optimal network system for joint development of parts with suppliers, and for parts procurement. To date, improvement is most evident in shorter product lead-times as a result of introducing three-dimensional CAD systems, and enhanced productivity among non-manufacturing divisions thanks to enterprise resource planning (ERP) systems.

Our domestic network infrastructure is almost in place, and we are now working on establishing a global network infrastructure that includes our overseas subsidiaries.

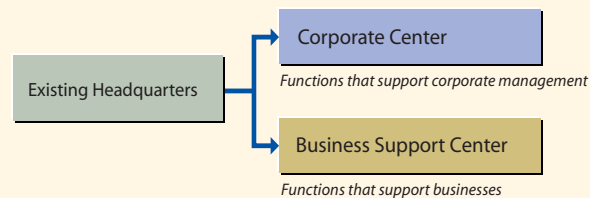
### Personnel Development

Toyota Industries creates and makes a wide range of products. We maintain our competitiveness by manufacturing high-quality products through efficient production. TPS serves as one of the essential sources of our know-how in maintaining efficient production and competitiveness. By improving TPS and familiarizing more employees with the system, we can further enhance efficiency and competitiveness. To this end, we have established a specialized section within the Operations Management Consulting Department in the Business Support Center to foster the development of qualified personnel.

### Maximizing Benefits of Synergy among Divisions

Throughout our long history, we have continually pushed forward with technological innovation, explored new markets and achieved substantial growth for each of our businesses. Toyota Industries has become a conglomerate, each of whose divisions possesses core technologies and markets. By transcending divisional boundaries, we are taking advantage of these assets to develop technologies that should be the basis of the next generation of business sectors and products, and to create added value. We believe the strategic cooperation among divisions will enhance the value of the Company as a whole and offer great opportunities for expanded business operations.

### Headquarters' Structural Reform



*Dividing the existing headquarters into two functionally distinct organizations: "Corporate Center" and "Business Support Center"*

In January 2002, Toyota Industries reorganized the functions of the headquarters as part of its medium-term management plan.

As we build up our global business presence and advance into new business fields, it is vital that we reinforce the functions of the headquarters, which is responsible for plotting the course of the Company and acting as a catalyst for corporate growth. In January 2002, we embarked on a reorganization of the headquarters with the aim of making full use of the strengths generated by our diverse business universe and promoting a higher level of growth and prosperity.

Based on its key functions, we divided the headquarters into the Corporate Center, which is responsible for the strategy and administration of the Company as a whole, and the Business Support Center, which provides support and services to divisions and departments. As a result of this move, we believe the role of the headquarters became clearer, enabling improved business efficiency and faster decision-making. Specifically, the Corporate Center sets company-wide management strategies, allocates management resources, creates new growth businesses by moving into areas where we can apply our advantages, and develops management personnel. The Business Support Center provides each business division and Corporate Center department with highly specialized expertise.

### Basic Philosophy

The following is a statement of Toyota Industries' basic philosophy. This basic philosophy constitutes the expressly stated beliefs of the management and serves as a guide for corporate behavior.

#### Respect for the Law

Toyota Industries is determined to comply with the letter and spirit of the law, in Japan and overseas, and to be fair and transparent in all its dealings.

#### Respect for Others

Toyota Industries is respectful of the people, culture and traditions of each region and country in which it operates. It also works to promote economic growth and prosperity in those regions and countries.

#### Respect for the Natural Environment

Toyota Industries believes that economic growth and conservation of the natural environment are compatible. It strives to offer products and services that are clean, safe and of high quality.

#### Respect for Customers

Toyota Industries conducts intensive product research and forward-looking development activities to create new value for its customers.

#### Respect for Employees

Toyota Industries nurtures the inventiveness and other abilities of its employees. It seeks to create a climate of cooperation, so that both employees and the Company can realize their full potential.

### Five Values

We also have Five Values that form an action guide for our employees to enforce our basic philosophy.

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**Global Perspective**  
 Learning from the best in the world, we aim to become the best in the world.
- 
**Customer First**  
 We forge partnerships with our customers and strive to exceed their expectations.
- 
**Welcoming New Challenges**  
 Unbound by convention, we embrace the challenge of creation.
- 
**Encouraging Professional Excellence**  
 We develop our strengths, and think and act responsibly.
- 
**Encouraging Effective Teamwork**  
 We recognize the human worth of each individual and collaborate to achieve goals.

