Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is based on information known to management as of July 2003.

This section contains projections and forward-looking statements that involve risks, uncertainties and assumptions. You should be aware that certain risks and uncertainties could cause the actual results of Toyota Industries Corporation and its Group companies to differ materially from any projections or forward-looking statements. These risks and uncertainties include, but are not limited to, those listed on the first page of this annual report.

The fiscal year ended March 31, 2003 is referred to as fiscal 2003 and other fiscal years are referred to in a corresponding manner.

Liquidity and Capital Resources

Toyota Industries' financial policy is to ensure sufficient financing and liquidity for its business activities and to maintain the strength of its balance sheets. Currently, in principle, funds for capital investments and other long-term capital needs are raised from retained earnings and long-term debt, and working capital needs are met through short-term loans. Long-term debt financing is carried out mainly through issuance of corporate bonds and loans from financial institutions.

In addition to current assets such as cash and cash equivalents, time deposits and securities, Toyota Industries maintains ¥100.0 billion of commercial paper issuance capacity as of March 31, 2003.

Toyota Industries' financial condition remains solid. Through the use of current assets such as cash and cash equivalents and securities, as well as free cash flows and fund-raising from financial institutions, Toyota Industries believes that it will be able to provide sufficient funds for the working capital necessary to expand existing operations and develop new projects, and for future investments.

Assets, Liabilities and Shareholders' Equity

Total assets at the end of fiscal 2003 stood at ¥1,650.4 billion, a decrease of ¥120.0 billion (6.8%) from fiscal 2002. This was due largely to a significant decrease in investments and other assets.

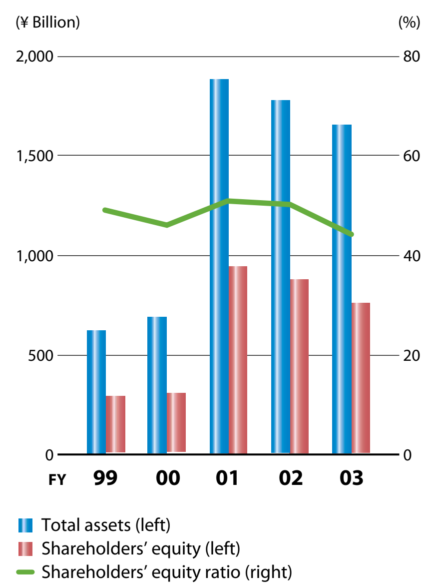
Current assets increased ¥76.5 billion (25.9%) to ¥371.8 billion. This was due mainly to an increase in cash and cash equivalents. Cash and cash equivalents increased ¥65.8 billion (92.5%) to ¥136.9 billion, owing chiefly to issuance of corporate bonds in the total amount of ¥80.0 billion in December 2002.

Property, plant and equipment increased ¥24.6 billion (7.3%) to ¥362.2 billion, due largely to the establishment of the Higashiura Plant to augment production capacity of car air-conditioning compressors, the relocation of the Obu Plant and additional production facilities for electronic components.

Intangible assets increased ¥1.9 billion (2.0%) to ¥96.8 billion resulting from an increase in software.

Investments and other assets decreased ¥222.9 billion (21.4%) to ¥819.6 billion. This is attributable largely to a decrease in the market prices of shares of Toyota Group companies, including Toyota Motor Corporation ("TMC"), held by Toyota Industries.

Total Assets, Shareholders' Equity and Shareholders' Equity Ratio



Current liabilities increased ¥156.7 billion (66.2%) over fiscal 2002 to ¥393.4 billion. This was because portions of long-term debt, including long-term bank loans, corporate bonds and convertible bonds, were reclassified to the category of current liabilities due to mature within one year.

Long-term liabilities were ¥494.2 billion, a decrease of ¥141.9 billion (22.3%). This was because deferred tax liabilities decreased ¥103.6 billion as a result of a decrease in the market value of investment securities, and portions of long-term debt were reclassified to the category of current liabilities. Corporate bonds increased ¥60.0 billion to ¥200.3 billion. This increase was attributable largely to issuance of corporate bonds in the amount of ¥80.0 billion in December 2002, despite the fact that corporate bonds in the amount of ¥20.0 billion were reclassified to the category of current liabilities. Interest-bearing debt, including short-term bank loans, long-term debt due to mature within one year, corporate bonds, convertible bonds and long-term bank loans, totaled ¥410.6 billion, an increase of ¥95.3 billion (30.2%) over fiscal 2002.

Minority interest in consolidated subsidiaries increased ¥5.1 billion (27.2%) to ¥24.0 billion, due largely to the newly consolidated Taikoh Transportation Group.

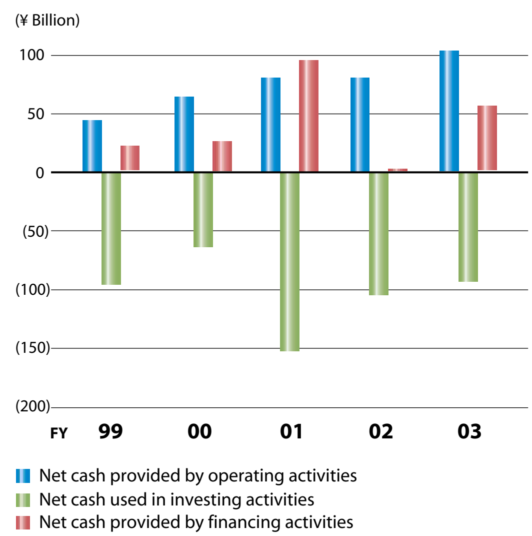
Shareholders' equity decreased ¥139.9 billion (15.9%) to ¥738.9 billion. This was mainly because net unrealized gains on other securities decreased ¥124.7 billion as a result of a decrease in the market value of investment securities. In addition, Toyota Industries repurchased 20 million of its common shares. As a result, treasury stock at cost increased ¥35.2 billion. The ratio of shareholders' equity to total assets decreased from 49.6% to 44.8%, while shareholders' equity per share at year-end decreased from ¥2,809.54 to ¥2,522.52.

Cash Flows

Net cash and cash equivalents provided by operating activities was ¥103.2 billion, an increase of ¥22.1 billion (27.3%) over fiscal 2002. Net cash and cash equivalents used in investing activities decreased ¥11.6 billion (10.9%) to ¥95.1 billion. Net cash and cash equivalents provided by financing activities increased ¥56.6 billion to ¥57.8 billion. Including translation adjustments, cash and cash equivalents increased ¥65.8 billion (92.5%) to ¥136.9 billion.

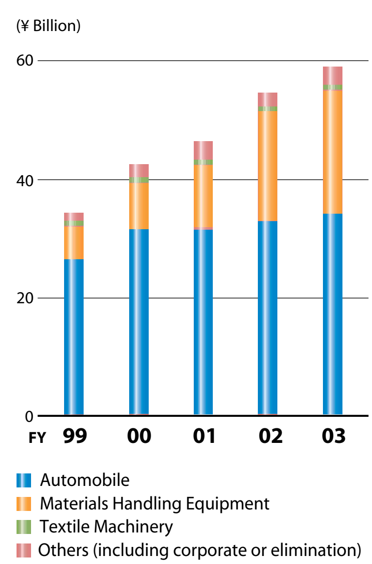
The increase in net cash provided by operating activities was mainly because increases in payables and non-cash expenses outweighed an increase in receivables. Depreciation and amortization increased ¥4.0 billion to ¥59.2 billion over fiscal 2002. Specifically, depreciation of property, plant and equipment was ¥51.4 billion, and amortization of intangible assets was ¥7.8 billion.

Cash Flows



Net cash used in investing activities decreased in fiscal 2003. While Toyota Industries spent ¥86.7 billion in fiscal 2003 to purchase property, plant and equipment, an increase of ¥13.1 billion (17.8%), the Company had expended ¥23.7 billion for acquisition of the industrial equipment sales business from TMC in fiscal 2002. The amounts used for purchase of property, plant and equipment by principal segment were ¥49.4 billion, a decrease of ¥11.6 billion (19.1%), in the Automobile Segment, and ¥24.4 billion, a decrease of ¥2.0 billion (7.5%), in the Materials Handling Equipment Segment.

Depreciation and Amortization



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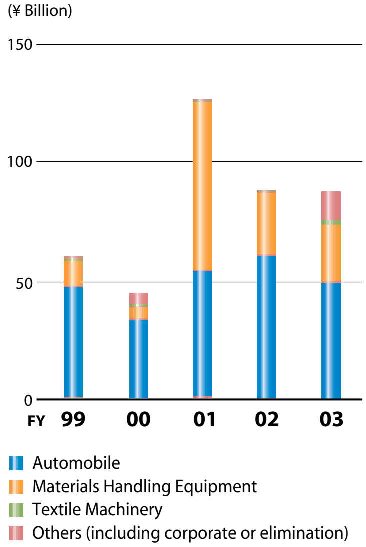
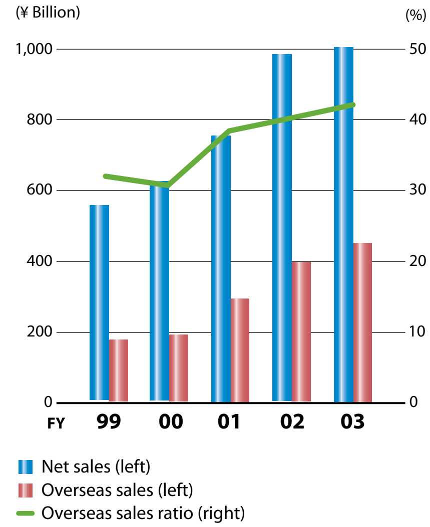
Capital Expenditures



Net Sales, Overseas Sales and Overseas Sales Ratio



An increase in net cash provided by financing activities was due mainly to issuance of corporate bonds in the amount of ¥80.0 billion. In fiscal 2003, Toyota Industries paid ¥6.2 billion, an increase of ¥0.6 billion (10.8%), in cash dividends. The Company also repurchased 20 million of its common shares in the amount of ¥35.2 billion.

Results of Operations

Operating Performance

In fiscal 2003, the Japanese economy remained sluggish. In addition to a declining stock market, private sector capital investment continued to be stagnant. Consumer spending remained weak due to employment uncertainties. Overseas, although the European economy was on its way to a slow recovery, the U.S. economy started decelerating in the latter half of the year.

In this operating environment, Toyota Industries made efforts to strengthen its corporate structure by developing new products to bring about greater customer satisfaction, aggressively conducting sales promotions and carrying out a company-wide program to reduce costs. As a result, total consolidated net sales of Toyota Industries amounted to ¥1,069.2 billion, an increase of ¥89.1 billion (9.1%) over fiscal 2002.

Cost of Sales and Selling, General and Administrative Expenses

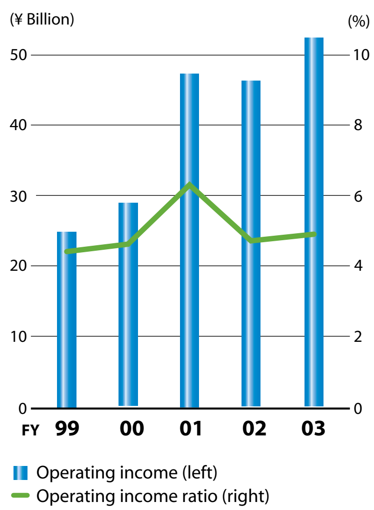
Toyota Industries' cost of sales for fiscal 2003 increased ¥71.1 billion (8.6%) over fiscal 2002 to ¥899.7 billion, due mainly to increased sales of the Automobile and Materials Handling Equipment segments. The ratio of cost of sales to net sales fell from 84.5% to 84.1%, primarily because the effects of cost reduction activities outweighed an increase in labor costs and other expenses.

Selling, general and administrative (SGA) expenses increased ¥11.8 billion (11.2%) to ¥117.0 billion. The ratio of SGA expenses to net sales increased from 10.7% to 10.9%. This was largely because selling expenses of the Materials Handling Equipment Segment increased as a result of the expanded scope of consolidation.

Operating Income

Due to the factors summarized above, operating income for fiscal 2003 increased ¥6.1 billion (13.3%) over fiscal 2002 to ¥52.5 billion. The operating income ratio increased from 4.7% to 4.9%.

Operating Income and Operating Income Ratio



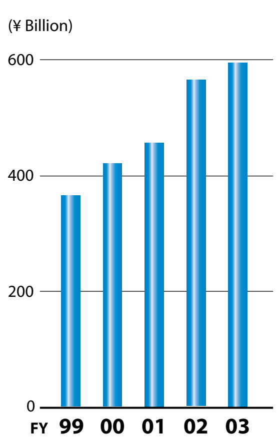
Operating Performance Highlights by Business Segment

Below are the operating results by business segment. Net sales for each segment do not include intersegment transactions.

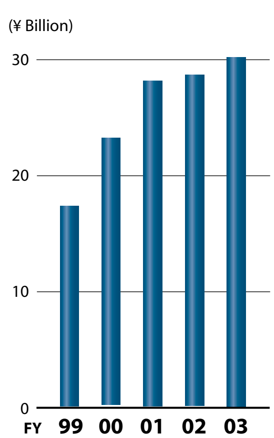
Automobile Segment

This segment consists of vehicle (automobile assembly), engine, car air-conditioning compressor and other businesses (including foundry parts and electronic components for automobiles).

Net Sales of Automobile Segment



Operating Income of Automobile Segment



Net sales amounted to ¥595.5 billion, an increase of ¥31.9 billion (5.7%) over fiscal 2002 and accounting for 55.7% of the total net sales of Toyota Industries. The increase was due mainly to a rise in sales of car air-conditioning compressors in overseas markets, notably in North America. Operating income was ¥30.1 billion, an increase of ¥1.1 billion (4.0%).

Vehicle Business

During fiscal 2003, we assembled five models under consignment from TMC: Vitz (Yaris in Europe); RAV4 compact sport utility vehicle; Corolla Sedan; bB Open Deck (discontinued in March 2003); and Sprinter Carib (exported as the Corolla Wagon, discontinued in July 2002). Although assembly of the Corolla Sedan for North America began in fiscal 2003, sales of the Vitz (Yaris), our mainstay vehicle, decreased due to TMC's full-fledged local production of this model in Europe and ruthless domestic competition in the small car market.

Total Vehicle Business production for fiscal 2003 was 228,000 units, down 19,000 from fiscal 2002. Net sales of the Vehicle Business amounted to ¥281.9 billion, an increase of ¥1.8 billion (0.6%) over fiscal 2002. This increase was due mainly to the fact that Toyota Industries now pays for tires, wheels and other parts previously supplied free by TMC and recoups an identical aggregate amount in the form of increased unit prices to TMC.

Engine Business

We produce gasoline and diesel engines for TMC vehicles and for our own line of forklift trucks and other industrial vehicles. For fiscal 2003, gasoline engine production totaled 193,500 units, an increase of 22,000 over fiscal 2002. Though the production of the 5E gasoline engine decreased, production of 2UZ gasoline engines increased and 2AZ gasoline engines for the Estima, for which production started in August 2002, made an excellent contribution to the total. Production of diesel engines totaled 207,400 units, down 4,700. Though production of the 1CD 2000cc direct injection turbo diesel engine with a common rail fuel system, which is fitted in the Avensis for Europe, the Corolla and RAV4, increased, production of 2000cc-class C-type diesel engines for automobiles decreased. Total engine production, including both intersegment transactions and outside sales, was 400,900 units, up 17,200 over fiscal 2002.

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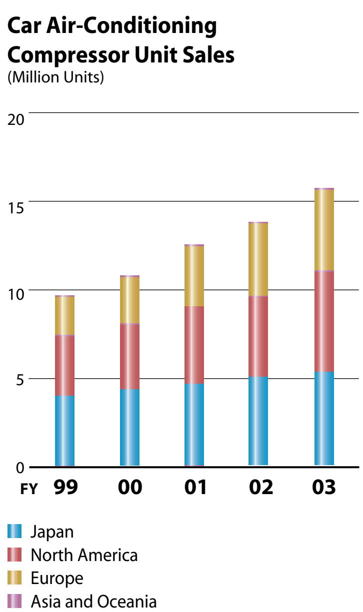
In April 2001, Toyota Industries absorbed TMC's Industrial Equipment Sales Division. Sales of engines for forklift trucks since then are all intersegment transactions. Previously, we sold forklift engines to TMC, which were then supplied to us for production of forklift trucks. Excluding intersegment sales (i.e., excluding engines for forklift trucks), sales of gasoline engines and diesel engines totaled 165,200 and 188,100 units, respectively. On the same basis, total engine sales amounted to 353,300 units, up 11,200 over fiscal 2002. Net sales excluding intersegment sales totaled ¥117.7 billion, an increase of ¥2.8 billion (2.4%).

Car Air-Conditioning Compressor Business

Car air-conditioning compressors developed and manufactured by Toyota Industries are marketed to leading auto manufacturers worldwide through DENSO Corporation ("DENSO"). Sales of car air-conditioning compressors in the domestic market increased due largely to a transfer of the assembly line for scroll-type compressors from DENSO. Overseas, orders increased in North America and sales expanded in Europe. In Japan, we sold 5.4 million units, up 366,000 over fiscal 2002. Overseas, we sold 10.4 million units, up 1,635,000.Total unit sales were 15.8 million, up 2 million.

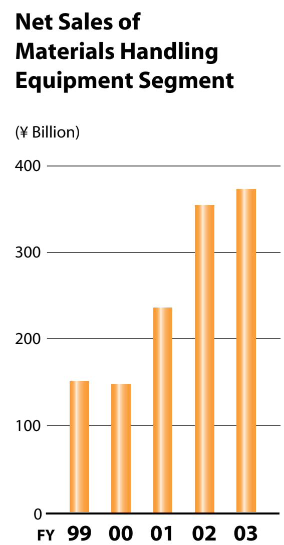
Net sales totaled ¥177.9 billion, an increase of ¥24.8 billion (16.2%) over fiscal 2002.

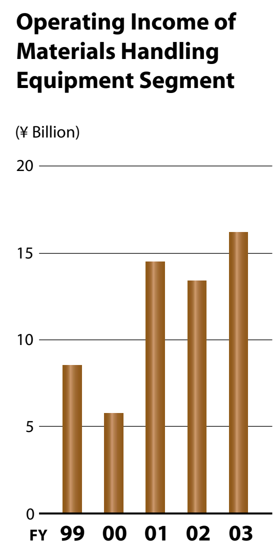


Materials Handling Equipment Segment

The Materials Handling Equipment Segment manufactures and sells forklift trucks, warehouse trucks and materials handling systems such as automated storage and retrieval systems, and automatic guided vehicle systems.

Net sales of the Materials Handling Equipment Segment totaled ¥373.0 billion, an increase of ¥20.0 billion (5.7%) over fiscal 2002. Operating income was ¥16.2 billion, an increase of ¥2.8 billion (21.0%). One of the main reasons for the sales increase of this segment was the consolidation of the financial results of TOYOTA Material Handling Company's ("TMHC's") seven overseas sales subsidiaries, which we acquired during fiscal 2002, for the full year (the consolidation was for nine months for two subsidiaries and six months for five subsidiaries in the previous fiscal year). The other was an increase in TMHC's unit sales.





In the forklift truck business excluding BT Industries AB ("BT Industries"), unit sales increased both in Europe and North America amid the challenging economic environment. In the domestic market, sales of our GENEO-B (7FB outside Japan) electric counterbalanced forklift truck continued strong (though unit sales decreased, its market share increased).The GENEO-E (7FBE outside Japan), a revamped version of the three-wheel electric counterbalanced forklift truck launched in January 2003, also contributed to total sales.

Sales of materials handling systems, which comprise automatic guided vehicle systems and automated storage and retrieval systems for the domestic market, increased substantially as a result of concerted sales efforts with our distributors, contributing to the overall good performance of this segment.

BT Industries'orders received were slightly up in 2002. Orders received in Europe increased, but orders received in North America showed a slight decrease due to the deteriorating economic environment. BT Industries' sales in North America decreased from the previous fiscal year, reflecting low order backlogs at the beginning of 2002. In Europe, overall sales increased because an increase in service sales offset a decrease in unit sales.

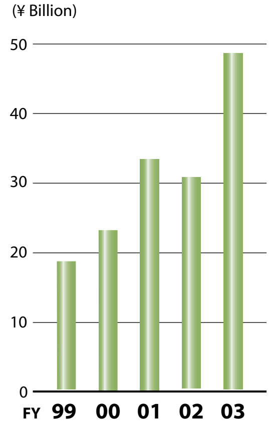
The Materials Handling Equipment Segment also manufactures and sells tow tractors, shovel loaders, sweepers and other industrial equipment.

Textile Machinery Segment

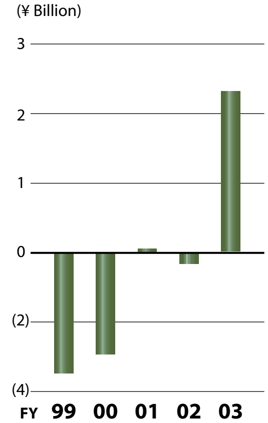
The Textile Machinery Segment manufactures and sells spinning-related machinery, including ring spinning frames, and weaving-related machinery such as air-jet looms. Toyota Industries is a world leader in the air-jet loom and spinning machinery fields.

Net sales of the Textile Machinery Segment amounted to ¥48.7 billion, an increase of ¥18.0 billion (58.7%) over fiscal 2002. Operating income was ¥2.3 billion, an impressive recovery from an operating loss in fiscal 2002, due largely to an increase in sales.

Net Sales of Textile Machinery Segment



Operating Income (Loss) of Textile Machinery Segment



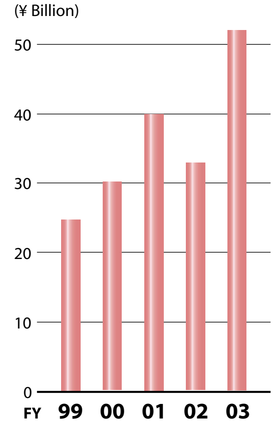
This reflected a significant increase in sales of air-jet looms to China. We sold more than 9,200 units, an increase of about 6,000 units over fiscal 2002. We sold more than 1,600 water-jet looms, an increase of some 400 units. On the other hand, sales of ring spinning frames decreased by over 130,000 spindles to 340,000, due mainly to sluggish export, except to Pakistan.

The export ratio in this segment is very high, and exports, mainly to Asia, accounted for approximately 90% of total net sales for fiscal 2003.

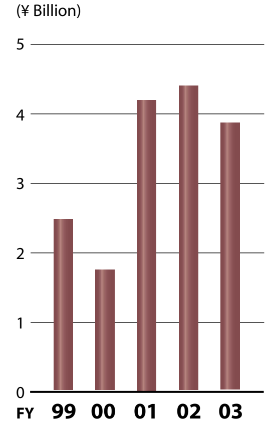
Others Segment

This segment, currently relatively small, comprises mainly new businesses that we believe have outstanding growth potential. A core business in this segment is TIBC Corporation ("TIBC"), a joint venture with Ibiden Co., Ltd. established in 1998. TIBC manufactures ball grid array (BGA) plastic package substrates, and flexible printed circuit (FPC) substrates. This segment also includes the Logistics Solutions Business, the manufacture and sales of press dies and production equipment, and other smaller businesses.

Net Sales of Others Segment



Operating Income of Others Segment
(Including Elimination of Intersegment Transactions)



Net sales of the Others Segment totaled ¥52.0 billion, an increase of ¥19.2 billion (58.5%) over fiscal 2002. This was due largely to the consolidation of Taikoh Transportation Co., Ltd. and its four subsidiaries, even though TIBC suffered from depressed conditions in the IT market. Operating income was ¥3.9 billion, a decrease of ¥0.6 billion (12.7%), due mainly to an

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increase in depreciation that accompanied TIBC's capital investment to augment production capacity of high-performance plastic package substrates.

ST Liquid Crystal Display Corp. ("ST-LCD") is not consolidated but is accounted for by the equity method in Toyota Industries' consolidated financial results. Consequently, its operating income (loss) is not included in the operating income (loss) for this segment. However, ST-LCD, a joint venture that we established with Sony Corporation in 1997, is considered as another core business within this segment. ST-LCD manufactures low-temperature polysilicon TFT-LCDs, for which demand is expected to increase substantially for the foreseeable future. Though ST-LCD's sales increased, its operating loss worsened as a result of an increase in depreciation that accompanied the second capital investment. Its performance is expected to improve significantly due to a projected increase in sales of its displays for mobile phones, digital still cameras and personal digital assistants.

Non-Operating Income and Expenses

Non-operating income for fiscal 2003 increased ¥3.2 billion (13.9%) over fiscal 2002 to ¥26.3 billion. Dividends income increased ¥1.2 billion. Proceeds from sales of marketable securities also increased.

Non-operating expenses increased ¥5.9 billion (27.1%) to ¥27.4 billion. Equity in net loss of affiliates increased ¥3.7 billion.

Ordinary Income

Due to the factors summarized above, ordinary income increased ¥3.5 billion (7.3%) over fiscal 2002 to ¥51.4 billion.

Extraordinary Losses

As a result of depressed stock prices in Japan, a revalued loss of investment securities in financial institutions was posted as an extraordinary loss in the amount of ¥4.3 billion. A loss on disposal of property, plant and equipment amounted to ¥3.4 billion, which resulted from the relocation of a plant.

Income before Income Taxes

Due to the factors summarized above, income before income taxes decreased ¥4.2 billion (8.8%) from fiscal 2002 to ¥43.7 billion.

Income Taxes

Net of current and deferred income taxes was ¥20.8 billion, an increase of ¥1.1 billion (5.6%) over fiscal 2002. The effective income tax rate increased from 41.2% to 47.7%, due largely to an increase in equity in loss of affiliates.

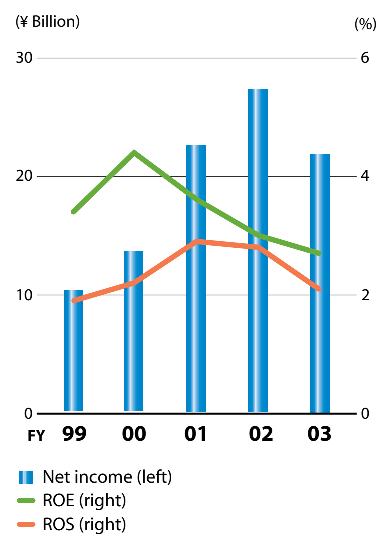
Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries increased ¥0.1 billion to ¥0.9 billion over fiscal 2002, due mainly to an increase in earnings of consolidated subsidiaries. As a result, net income for fiscal 2003 decreased by the same amount.

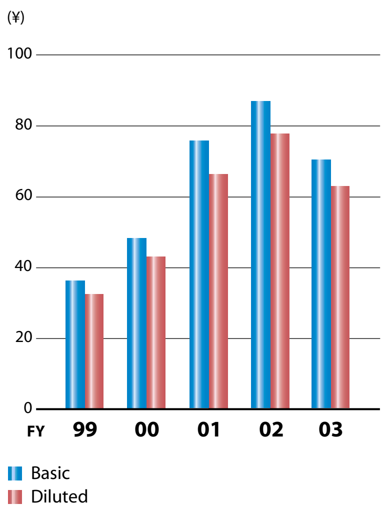
Net Income

Net income for fiscal 2003 was ¥21.9 billion, a decrease of ¥5.4 billion (19.7%) from fiscal 2002. Return on sales (ROS) decreased from 2.8% to 2.1%. Return on equity (ROE), using the average at fiscal 2002 and fiscal 2003 year-ends, decreased from 3.0% to 2.7%. Net income per share decreased from ¥87.28 to ¥70.19, and diluted net income per share decreased from ¥78.26 to ¥62.90.

Net Income, ROE and ROS



Net Income per Share



Strategies and Projections

Business Strategies

Since its establishment as a textile machinery manufacturer over 75 years ago, Toyota Industries has expanded the scope of its specific characteristics. The operational strategies for these categories are based on the mission assigned to each category.

First Category: Vehicle Business and Engine Business

<Mission>

As a member of the Toyota Group, to contribute to the high quality and technological advances of TOYOTA cars.

Second Category: Car Air-Conditioning Compressor Business, Materials Handling Equipment Business and Textile Machinery Business

<Mission>

To aggressively expand global markets through the development of products using Toyota Industries' unique technologies.

Third Category: Electronics Business, Logistics Solutions Business, etc.

<Mission>

To be a key source of Toyota Industries' future growth.

The first category, the Vehicle Business and the Engine Business, handles mainly the production of vehicles consigned by TMC and production of engines for TOYOTA cars. To play a more important role in the Toyota Group, Toyota Industries is making continual efforts to improve its production technologies and strengthen quality control. For Toyota Industries, this field of business provides a stable platform for its own growth, while also contributing to the success of the Toyota Group.

Aiming to play a more important role in the development and production of TOYOTA cars and engines, Toyota Industries will step up its efforts to strengthen its research and development capability and improve productivity. In its work in this category for TMC, Toyota Industries will also make proposals for the design and launch of auto parts and small cars, and actively work to ensure that such proposals are adopted. In the Engine Business, Toyota Industries will contribute to TMC's global strategy, especially in Europe, with its diesel engines.

The second category, which comprises the Car Air-Conditioning Compressor Business, the Materials Handling Equipment Business and the Textile Machinery Business, is identified as a business field in which Toyota Industries must cultivate further development of global markets by precisely grasping customers' needs, and developing and marketing state-of-the-art products that meet these needs through the application of original technologies. Firmly believing that technological improvement is the key to competitiveness, Toyota Industries strives to strengthen its technological development capabilities by fostering the training and development of superior engineers. Since the Car Air-Conditioning Compressor Business and the Materials Handling Equipment Business are positioned as core businesses, Toyota Industries places a priority on them in its allocation of management resources. In addition, on April 1, 2001, Toyota Industries established TOYOTA Material Handling Company as a uniquely independent company within Toyota Industries. The main purpose of this move was to strengthen independent management in the unit by giving it the authority needed to respond flexibly and speedily to changes in the business environment and to emerge a winner in the face of intensifying global competition.

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The third category, the Electronics Business, which includes the production of LCDs, and the Logistics Solutions Business, will also be made a priority in Toyota Industries' allocation of management resources in order to develop this activity into a core business.

The Electronics Business is a field characterized by rapid advances in technological innovation. Toyota Industries recognizes that it must strengthen its research and development capability to maintain competitiveness in this field. Continuing capital expenditures will be required to do this. Swift decision-making is also required for success in this business, which depends on rapidly getting production on track, improving the rejection rate of products and achieving a return on investment. Aiming to participate in the Electronics Business and expand operations in the short term, and to diversify risks by entering new areas of this business, Toyota Industries has not only carried out independent product development, but has also entered into joint ventures with both Sony Corporation and Ibiden Co., Ltd. Toyota Industries believes that this strategy has been successful to date and views the Electronics Business as a key source of future corporate growth.

In recent years, Japan's industries have been increasingly moving toward outsourcing product distribution and storage functions in order to reduce materials handling costs. Seeing this as an opportunity, Toyota Industries entered into the Logistics Solutions Business in Japan. Taking advantage of our long-accumulated materials handling know-how, we aim to provide customer-oriented proposals for optimized logistics and cost reduction. Through proactive allocation of management resources, we hope our Logistics Solutions Business will become a new source of stable revenues for the Company.

Global Fund Management

To achieve more efficient fund utilization, Toyota Industries Group is pushing ahead with localized fund management by region. We are spreading risk by switching to more secure credit and establishing deposit limits in accordance with bank credit ratings.

In June 2003, Toyota Industries Finance International AB ("TIFI"), our newly established finance subsidiary in Sweden, assumed fund-raising operations for all of our overseas subsidiaries and began centrally managing the funds of our European subsidiaries. TIFI draws on the expertise and resources of BT Industries (part of the Toyota Industries Group since June 2000), which has been conducting integrated fund management of its approximately 80 subsidiaries and affiliates over many years. The establishment of TIFI is aimed at achieving greater benefits of synergy by expanding the scope of subsidiaries for integrated fund management.

Also in June 2003, the Company commenced integrated fund management of its domestic subsidiaries. In North America, Toyota Industries North America, Inc. ("TINA") has centrally managed the funds of our North American subsidiaries for some time.

Through close cooperation among the Company, TINA and TIFI, it is now possible to realize unified fund management covering Japan, North America and Europe for efficient fund and corporate management on a global, consolidated basis.

Capital and Business Collaboration

On April 25, 2002, the Board of Directors of both Toyota Industries and Aichi Corporation ("Aichi") voted to conclude a comprehensive agreement on capital and business collaboration between the two companies. Aichi is an established manufacturer of special-purpose vehicles such as aerial lift equipment for construction works. Through this collaboration, both companies will be able to offer product lineups that best exploit the strengths of each company. Toyota Industries will concentrate on the manufacture of materials handling equipment such as forklift trucks, while Aichi will specialize in special-purpose vehicles.

On May 14, 2002, Aichi issued and allocated 20,056,000 shares of common stock to Toyota Industries. This amounted to 34% of Aichi's total shares issued, for which we paid ¥3.2 billion. We also obtained a warrant that would raise our holding to a 51% controlling stake.

In May 2003, we exercised the warrant, incorporating Aichi into our network of subsidiaries.

Forecast for Fiscal 2004

Amid the current deflationary trend, Toyota Industries anticipates a package of government-led economic recovery measures will be implemented to positive effect; however, falling global stock prices and continuing uncertainties regarding employment and the U.S. economy will likely result in a rather sluggish business environment overall.

For fiscal 2004, ending March 31, 2004, Toyota Industries forecasts consolidated net sales of ¥1,100.0 billion, ordinary income of ¥57.0 billion and net income of ¥34.0 billion. We are determined to develop new products that are of high quality and responsive to customer needs, as well as enhance sales, service and cost-reduction activities company-wide.

Our projections are based on an exchange rate of ¥115.0=US$1.

Dividend Policy

Toyota Industries Corporation's dividend policy is to continue paying stable dividends, while giving overall consideration to business results and the dividends payout ratio, in order to meet the expectations of shareholders.

Toyota Industries' Ordinary General Meeting of Shareholders, held on June 27, 2003, approved a year-end cash dividend of ¥12.0 per share. Including the interim cash dividend of ¥10.0 per share, cash dividends for the year totaled ¥22.0 per share, an increase of ¥3.0 per share over fiscal 2002. The dividend payout ratio increased from 23.8% to 34.0%.

Toyota Industries Corporation will use retained earnings to improve the competitiveness of its products, augment production capacity in Japan and overseas, as well as expand into new fields of business and strengthen its corporate constitution in securing future profits for its shareholders. It will also use retained earnings to repurchase treasury stock.

Stock Repurchase Program

On June 27, 2002, the Ordinary General Meeting of Shareholders resolved to authorize the Board of Directors of Toyota Industries Corporation to repurchase up to 20 million of the Company's common shares. This allows the Company to implement flexible capital policies in accordance with the business environment.

In fiscal 2003, the Company repurchased 20 million of its common shares at a total purchase cost of ¥35.2 billion. As a result, the Company now holds 20.55 million shares of its treasury stock. Its total outstanding common shares at year-end were 292,777 thousand shares (excluding treasury stock).

On June 27, 2003, the Ordinary General Meeting of Shareholders adopted a resolution to authorize the Company to repurchase an additional 20 million shares at a total price not exceeding ¥45.0 billion. This will allow the Company to obtain more shares in accordance with changes in the business environment.

Toyota Industries' Relationship to Toyota Motor Corporation ("TMC")

Because of its historical background, Toyota Industries has a close relationship with TMC and Toyota Group companies in terms of capital investment and business dealings.

In 1933, Kiichiro Toyoda, eldest son of founder Sakichi Toyoda and Managing Director of Toyota Industries (then Toyoda Automatic Loom Works, Ltd.) at the time, established the Automobile Division within the Company. In 1937, the Automobile Division was spun off and became an independent company, Toyota Motor Co., Ltd. (the present Toyota Motor Corporation).

As of March 31, 2003, Toyota Industries holds 5.4% (196,725 thousand shares) of TMC's total shares issued. As of the same date, TMC holds 24.7% (72,316 thousand shares) of total voting rights. Toyota Industries is one of TMC's affiliates accounted for by the equity method.

TMC assigns the assembly of certain cars and the production of automobile engines to us. We also directly or indirectly manufacture and sell other automobile components to TMC. In fiscal 2003, our net sales to Toyota Group companies accounted for approximately 56% of consolidated net sales.

As a member of the Toyota Group, we intend to enhance the competitiveness of TMC and other Toyota Group companies by contributing in such areas as quality, cost, delivery and technology. We believe that this will be reflected in increases in sales and profits for the Toyota Group, thus increasing the shareholder value of Toyota Industries.