

Our Millennium Year Begins with **Outstanding** Performance

At Toyoda Automatic Loom Works, Ltd. (TOYODA), strong financial performance marked the first half of the fiscal year ending March 31, 2001 (April 1, 2000 – September 30, 2000).

TOYODA's sales and profits during the first half of the fiscal year increased substantially over the same period of the previous year. Consolidated net sales rose 18.2%, to ¥344.2 billion (U.S.\$3,187.3 million), the highest sales recorded in our corporate history for an interim period. Consolidated operating income jumped 83.4%, to ¥21.5 billion (U.S.\$198.9 million), the highest such operating income ever recorded. Consolidated net income climbed 61.2%, to ¥8.0 billion (U.S.\$73.6 million).

In the first half of the fiscal year, the Japanese economy showed some indications of recovery. The U.S. economy remained strong, the European economy expanded steadily, and in Asia economic recovery was unmistakably on track. While these favorable global economic conditions certainly helped our business expand, optimization strategies in each of our diversified operations and cost reduction measures across the board were the keys to the double-digit increases in sales and profits in the first half of the fiscal year compared with the same period a year ago. TOYODA's strategies and its commitment to meeting sales and profit targets in every business area combined to yield extremely positive results during this period.

► Strong Performance in Every Business Segment

From automobile assembly, forklift production, and textile machinery manufacture to our electronics business, all of TOYODA's diversified endeavors recorded increases in sales over the comparable period of the previous fiscal year. An overview of the first half of the fiscal year divided by core business segments is as follows:



Akira Yokoi
Vice Chairman

Tadashi Ishikawa
President

Chisei Isogai
Chairman

Automobile Segment

TOYODA's automobile-related business includes automobile assembly and the production of engines, car air-conditioning compressors, and other related components. The Automobile Segment boasts the largest sales at TOYODA and makes up 66.5% of our net sales on a consolidated basis. Sales in the Automobile Segment rose 15.9% over the same period as a year earlier, to ¥228.8 billion (U.S.\$2,118.4 million).

● Vehicle Business (Automobile Assembly Business)

We currently assemble two vehicle models in the Toyota lineup, the Vitz (Yaris in Europe) and the Sprinter Carib (Corolla Wagon outside Japan), which we produce on behalf of Toyota Motor Corporation (Toyota). High demand for the popular Vitz (Yaris), which Toyota positioned as a globally strategic small car, continued in its second year, and our total production of the two models amounted to 144,976 units during this period, up 34,337 units from the same period of the previous year. Sales in automobile assembly were ¥102.3 billion (U.S.\$947.6 million), a 27.0% increase over the corresponding period in the previous year.

● Engine Business

TOYODA produces gasoline and diesel engines for Toyota vehicles as well as for our own line of forklifts. The production

of 2,000cc-class C-type diesel engines and 2,000cc-class S-type gasoline engines dropped during the period under review, and total production fell to 164,525 units, 14,349 units fewer than were produced in this period a year earlier. However, high-value engine production increased, including the 1CD-type common rail 2,000cc turbo-diesel, and the 2UZ-type gasoline engines that were a new order from Toyota. As a result, sales amounted to ¥46.8 billion (U.S.\$433.3 million), a 2.3% increase over the previous comparable period.

● Car Air-Conditioning Compressor Business

Car air-conditioning compressors developed and manufactured by TOYODA are marketed to the world's leading auto manufacturers through DENSO Corporation. Sales and earnings in our compressor business during the first half of this fiscal year were strong, with new orders placed and steady sales of automobiles worldwide. We shipped 2,265 thousand compressors within Japan, 244 thousand units more than the same period a year ago. Together with overseas sales of 3,886 thousand units, a 682 thousand-unit increase from the first half of the previous year, TOYODA's total global sales amounted to 6,151 thousand units, over 926 thousand units more than were sold in the same period last year. The value of these sales came to ¥69.1 billion (U.S.\$639.7 million), up 11.8% over this period a year earlier.

Materials Handling Equipment Segment

The Materials Handling Equipment Segment encompasses the production of forklifts and automated storage and retrieval systems, as well as automatic guided vehicle systems. Forklift sales accounted for about 96% of total sales in this segment. During this six-month period, sales in materials handling equipment totaled ¥82.3 billion (U.S.\$761.8 million), an increase of 13.0% over the same period of the previous fiscal year.

● Forklift Business

Forklift sales in Japan and overseas during the period under review increased significantly. Overseas sales reached

22,793 units, an increase of 3,126 units from the previous period's sales, due primarily to strong demand in the North American and European markets. In the Japanese market, TOYODA's sales rose to 12,790 units, 1,237 units more than in the same period of the prior year. The popularity of the GENE0-B (7FB in overseas markets) electric-powered counterbalanced forklift contributed to the increase in sales in Japan, as customers became more environmentally aware and began to choose such environmentally friendly products as the emission-free GENE0-B. The resurgence in Japan's demand for forklifts, spurred by increasing capital investment in the private sector, also helped boost our sales.

TOYODA's forklift business during the first half of the fiscal



Tadashi Ishikawa, President

year was marked by strategic business consolidation with other companies to enhance our product lineup and better serve our customers around the world. In order to solidify our global presence in the materials handling equipment business beyond our mainstay lineup of counterbalanced forklifts, we acquired 97% of all the outstanding shares of BT Industries AB (BT Industries) of Sweden for 7.4 billion Swedish kronas (U.S.\$759.3 million*) in June 2000. TOYODA's and BT Industries' products complement each

other, enabling us to expand our product lines and position ourselves as a comprehensive materials handling solutions provider on a global basis. In July 2000, we reached an agreement with Toyota to strengthen the forklift and materials handling systems businesses of both companies. Toyota's sales and marketing operations for forklifts and materials handling systems will be integrated into our operations in April 2001.

* U.S. dollar amounts are translated from Swedish Krona (SEK) at the rate of SEK9.69=U.S.\$1, for convenience only.

● Materials Handling Systems Business

Our materials handling systems business produces automated storage and retrieval systems and automatic guided vehicle systems for Japanese customers. Sales in materials handling systems during this period also increased, a result of renewed demand in Japan, as private-sector capital investment expanded.

Textile Machinery Segment

TOYODA has over 70 years' history as a textile machinery manufacturer. Our main products now are ring spinning frames, roving frames, and air and water jet looms. TOYODA is a leading manufacturer in the field of air jet looms and spinning frames.

Sales during the first half of the fiscal year jumped 55.9% over the same period in the previous year, to ¥14.4 billion (U.S.\$133.3 million).

● Spinning Machinery Business

As a result of aggressive sales activities, particularly in Pakistan, Indonesia, and Thailand, sales in spinning machinery for the first half of the fiscal year increased to ¥4.8 billion (U.S.\$44.7 million), up 105.4% over the same period a year earlier.

● Weaving Machinery Business

TOYODA dramatically expanded its sales of air jet looms to China, Taiwan, Indonesia, and Thailand. Shipment of air jet looms in the first half of this fiscal year rose to 1,983 units, 904 units more than in the previous interim period. In addition, sales of water jet looms totaled 494 units, up 76 units, due mainly to increased sales in South Korea and China. Overall sales in the weaving machinery business were ¥9.6 billion (U.S.\$88.6 million), a 39.0% increase over the same period a year earlier.

"Others" Segment

TOYODA's new initiatives in electronics and other businesses include next-generation thin film transistor liquid crystal displays (TFT-LCDs), ball grid array-type plastic package boards, and printed circuit boards. TOYODA established a joint venture with Sony Corporation called ST Liquid Crystal Display Corp. (ST-LCD)** in 1997 to manufacture low-temperature polysilicon TFT-LCDs. TIBC Corporation, a joint venture company TOYODA set up in 1998 with Ibiden Co., Ltd., is engaged in manufacturing plastic package boards and printed circuit boards. We have positioned these high-technology business areas as an important pillar of our future growth strategy.

During the first half of the fiscal year, these new businesses, together with the manufacture of press dies, etc., grew to ¥18.8 billion (U.S.\$173.8 million), an increase of 59.0% from the same period of the previous year.

** ST-LCD is not consolidated but is accounted for under the equity method in TOYODA's consolidated financial results.

▶ Finance

TOYODA raised funds and capital during the period under review to finance the acquisition of BT Industries and capital investment projects. In July 2000, we issued ¥40.0 billion (U.S.\$370.2 million) of bonds without collateral in Japan.

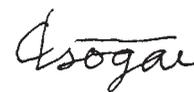
In October 2000, we issued 30 million new shares to raise ¥55.7 billion (U.S.\$515.6 million).

▶ Maximizing Shareholder Value

At TOYODA, the most important aspect of our corporate mission is creating greater shareholder value. By implementing bold strategies with specific goals in each business area and streamlining operations, we will strive to further improve profitability and maximize shareholder value. At the same time, as a good corporate citizen, we will continue to put emphasis on environmental protection activities and the fulfillment of our social responsibilities.

We thank all of our shareholders, customers, suppliers, and employees for their support during this six-month period, and we are very pleased to be able to report robust sales and strong earnings at the outset of the millennium. Focusing on increasing shareholder value, we will continue to make our best efforts to meet the expectations of our customers, employees, business partners, and the communities we serve.

December 2000



Chisei Isogai
Chairman



Akira Yokoi
Vice Chairman



Tadashi Ishikawa
President