GRATIFYING PERFORMANCE DESPITE ADVERSE ENVIRONMENT

Akira Yokoi
Chairman

Tadashi Ishikawa
President

We are pleased to present the results of operations of Toyota Industries Corporation (the "Company") and its consolidated subsidiaries ("Toyota Industries") for the six months ended September 30, 2002 (the "term").

Our results for the term can be summarized in a single word: Gratifying. We achieved record highs for consolidated net sales, operating income and ordinary income. Consolidated net sales totaled ¥520.5 billion (US$4,245.4 million) for the term, an increase of 8.7% compared with the six months ended September 30, 2001 (the "previous term"). Consolidated operating income was ¥25.2 billion (US$205.7 million) for the term, an increase of 3.3% compared with the previous term. Consolidated ordinary income was ¥26.9 billion (US$219.5 million) for the term, an increase of 1.0% over the previous term. Consolidated net income, however, was down 10.0% to ¥13.6 billion (US$111.0 million). This was due largely to a loss on disposal of property, plant and equipment that accompanied the relocation of a foundry plant.

Our results were particularly gratifying considering the adverse business environment that prevailed during the term. Except for certain regions such as Asia, the world economy as a whole remained sluggish due to a slow recovery in the U.S. and falling stock prices worldwide. The Japanese economy seemed to have hit bottom at the beginning of the term and some industries showed signs of an upturn. However, a poor stock market performance, weak private sector capital investment and stagnant consumer spending due to employment insecurities together produced an economic standstill.

Despite the unfavorable business environment, we were able to improve as compared with the previous term on consolidated net sales, operating income and ordinary income because we succeeded in implementing a clearly defined strategy that exploited our competitive strengths in each of our business segments and in making further significant cost reductions.

Note: *U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥122.60=US$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on September 30, 2002.*

All Business Segments in Good Shape

All of Toyota Industries' business segments saw their net sales improve over the previous term. However, the level of operating income varied by business segment, even though most segments maintained stable operating incomes.

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

Our Automobile Segment consists of vehicle (automobile assembly), engine, car air-conditioning compressor and other businesses (including foundry parts and electronic components for automobiles). Net sales were ¥291.2 billion (US$2,375.4 million) for the term, an increase of 9.4% over the previous term, and accounted for 56.0% of our total net sales for the term. The increase was due mainly to a rise in sales of car air-conditioning compressors and the fact that Toyota Motor Corporation ("TMC") started charging for some parts for automobiles we assemble that had previously been supplied free. Operating income was ¥15.3 billion (US$124.6 million) for the term, an increase of 12.8% compared with the previous term.

■ Vehicle Business (Automobile Assembly Business)

During the term, we assembled four models under consignment from TMC: Vitz (Yaris in Europe), TOYOTA's global strategic small car; RAV4 compact sport utility vehicle; bB Open Deck; and Sprinter Carib (Corolla Wagon overseas, discontinued in July 2002). Though sales of the RAV4 were strong in North America, sales of the Vitz (Yaris), our mainstay vehicle, decreased as a result of TMC's full-fledged local production of the Yaris in Europe and intensified competition in the domestic small car market. Total Vehicle Business unit production for the term was 109,514, a decrease of 11,735 from the previous term.

Net sales of the Vehicle Business amounted to ¥136.3 billion

(US$1,111.7 million) for the term, an increase of 5.3% over the previous term. The increase was due to an increased sales ratio of a more expensive model, as well as the fact that Toyota Industries Corporation now pays for tires and hubcaps 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. During the term, gasoline engine production totaled 86,436 units, a decrease of 2,155 units from the previous term. Production of the 2AZ gasoline engine for the Estima (Previa in Europe), which started in August 2002, was insufficient to make up for a decrease in production of the 5E gasoline engine.

Production of diesel engines totaled 107,258 units for the term, an increase of 16,166 units over the previous term. Production of the 1CD 2000cc direct injection turbo diesel engine with common rail fuel system, which are fitted in the Avensis, Corolla and RAV4 for Europe, increased.

Total engine production amounted to 193,694 units for the term, an increase of 14,011 units over the previous term.

In April 2001, Toyota Industries Corporation absorbed TMC's Industrial Equipment Sales Division. Sales of engines for forklift trucks, which Toyota Industries Corporation previously sold to TMC, are now recorded as intersegment transactions. Excluding intersegment sales, sales of gasoline engines totaled 72,208 units for the term, a decrease of 4,246 units from the previous term, and sales of diesel engines totaled 98,022 units for the term, an increase of 16,095 units over the previous term. On the same basis, total engine sales amounted to 170,230 units for the term, an increase of 11,849 units over the previous term.

Net sales excluding intersegment sales totaled ¥58.5 billion (US$477.1 million) for the term, an increase of 12.3% over the previous term.

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"). For the term, sales in Japan increased due largely to a transfer of the assembly line for scroll-type compressors from DENSO.

Overseas, strong car sales in the U.S. led to an increase in orders, and vigorous sales activities in Europe resulted in expanded sales. In Japan, we sold 2.7 million units for the term, an increase of 0.3 million units over the previous term. Overseas, we sold 5.1 million units for the term, an increase of 0.7 million units over the previous term. Total unit sales amounted to 7.8 million units for the term, an increase of 1.0 million units over the previous term.

Net sales totaled ¥87.7 billion (US$715.7 million) for the term, an increase of 11.9% over the previous term.

Materials Handling Equipment Segment

Our Materials Handling Equipment Segment manufactures and sells forklift trucks, warehouse trucks, automated storage and retrieval systems, and automatic guided vehicle systems. Net sales for the term totaled ¥181.0 billion (US$1,476.5 million), an increase of 0.3% over the previous term. Operating income was ¥7.6 billion (US$61.8 million) for the term, a decrease of 5.4% from the previous term.

Sales of the Materials Handling Equipment Segment increased slightly over the previous term due in part to an increase in the number of consolidated subsidiaries, i.e., overseas forklift truck sales subsidiaries. Another factor for the increase was that strong sales of materials handling systems such as automated storage and retrieval systems made up for a decrease in sales of forklift trucks and other materials handling equipment.

During the term, total demand in the Japanese forklift truck market decreased to approximately 90% of the previous term, while our sales were 95% of the previous term, outperforming market demand. In North America and Europe, total demand for the term was similarly sluggish due to the aftershocks of last year's September 11 terrorist attacks in the U.S. and other factors, but our sales, which exclude those of BT Industries, outperformed the market.

BT Industries' orders received during the term (January to June 2002) were slightly up over the previous term (January to June 2001). Orders received in Europe decreased in the first quarter, but improved in the second quarter, marking a slight increase over the previous term. We believe that the North American market has bottomed out, and BT Industries' orders received increased compared with the previous term. On the other hand, BT Industries' sales during the term decreased 8% from the previous term. Sales in Europe remained at approximately the same level, but sales in North America registered a double-digit decrease as a percentage compared with the previous term. Whereas a substantial order backlog resulted in higher sales in the previous term, sales in 2001 exceeded orders received, and the order backlog had therefore decreased at the end of the year.

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

Textile Machinery Segment

Our Textile Machinery Segment comprises the Spinning Machinery Business, with the manufacture of ring spinning frames at its core, and the Weaving Machinery Business, based on the manufacture of air-jet looms. Toyota Industries is a world leader in both businesses. Net sales of the Textile Machinery Segment amounted to ¥22.8 billion (US$186.0 million) for the term, an increase of 40.8% over the previous term. Operating income was ¥0.7 billion (US$5.7 million) for the term, an increase of 249.8% over the previous term. This increase was due largely to a substantial increase in exports of air-jet looms to China and aggressive cost-reduction activities.

During the term, sales of the Spinning Machinery Business fell short of those for the previous term. Sales in Japan and Pakistan increased as a result of strong sales activities, but sales in Bangladesh, Uzbekistan and Thailand decreased. The Weaving Machinery Business, on the other hand, received a large order for air-jet looms from a group of textile manufacturers in Jiangsu Province, China earlier this year, resulting in a substantial increase in exports to that country. Sales of water-jet looms also increased in China, boosting sales of the Weaving Machinery Business over the previous term.

Others Segment

The Others Segment comprises businesses that we entered comparatively recently. Although our operations in these fields are still relatively limited, we expect them to become a key pillar of Toyota Industries in the future. One of these businesses is TIBC Corporation ("TIBC"), a joint venture with Ibiden Co., Ltd. TIBC produces ball grid array (BGA) plastic package substrates for IC chipsets, and flexible printed circuit (FPC) substrates for IC cards. This segment also includes the manufacture and sales of press dies and production equipment.

Net sales of the Others Segment totaled ¥25.4 billion (US$207.6 million) for the term, an increase of 58.1% over the previous term. This increase was because an increase in sales of production equipment and the consolidation of all five Taikoh Transportation Group companies (which amounted to ¥11.4 billion) outweighed a decrease in Electronics Business sales, including those of TIBC, which resulted from the bursting of the IT "bubble." Operating income totaled ¥1.6 billion (US$12.9 million) for the term, a decrease of 44.2% from the previous term, reflecting a performance by TIBC that did not meet expectations, and other factors.

ST Liquid Crystal Display Corp. ("ST-LCD"), which produces low-temperature polysilicon TFT-LCDs, is a 50-50 joint venture with Sony Corporation, and we believe that ST-LCD will form the core of our Electronics Business in the medium to long term. ST-LCD is not consolidated but accounted for by the equity method in Toyota Industries' consolidated financial results. ST-LCD's performance for the term was worse than the previous term due to an increase in depreciation that arose from the start-up of a second production line.

Achievements During the Term

Cost Reduction Activities

During the term, we reduced costs aggressively and improved manufacturing productivity. In April 2001, Toyota Industries

Tadashi Ishikawa
President

Corporation embarked on an ambitious three-year cost-reduction program to be implemented throughout the Company. We have so far achieved most of the objectives as planned. We established a special project team in each business division to ensure that our cost-reduction activities were systematic and thorough. As well as enhancing our ongoing VE (Value Engineering) and VA (Value Analysis) activities, we sought to optimize our procurement of materials and components globally, and reduced general expenses and head office fixed costs.

Exploiting IT

The exploitation of the latest advances in IT is one of our important strategic objectives. We believe that the potential impact of IT on competitiveness will be significant.
Using IT, we are overhauling our traditional way of doing business to accelerate management processes. We are also seeking to improve productivity in our development and production departments through installation of three-dimensional CAD (Computer Aided Design) systems throughout the Company.

In addition, we are pushing ahead with the introduction of ERP (Enterprise Resource Planning) systems to facilitate an improvement in overall management and to allow swifter decision-making through universal access to a unified management database. We have already set up ERP in our Accounting and Purchasing departments.

In May 2002, we opened "e-Lab," our base station for building a Group-wide information system and conducting IT research. The 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.

Capital and Business Collaboration

In May 2002, following the conclusion of a comprehensive agreement on capital and business collaboration between

Toyota Industries Corporation and Aichi Corporation (“Aichi”), the Company acquired the new shares issued by Aichi. As a result, the Company now holds 34% of Aichi’s outstanding shares. We also obtained a warrant granting us an option to purchase up to 51% of Aichi’s shares in May 2003. We will closely monitor the effectiveness of the collaboration before deciding whether to exercise the warrant and welcome Aichi into our network of subsidiaries. Although currently suffering from a deteriorating market environment, Aichi is a leading manufacturer of aerial lift equipment, with a market share of over 70% in Japan. In order to improve its performance, Aichi has been working to reduce costs and inventories, and shorten lead-times from order to shipment.

The Company will provide Aichi with capital, production technology and production control know-how. In the future, we plan to transfer TOYOTA Material Handling Company’s* (“TMHC’s”) manufacturing operations for special-purpose vehicles, including aerial lift equipment and skid steer loaders, to Aichi, and have Aichi become a specialized manufacturer of these vehicles. TMHC will in turn concentrate on the manufacture of materials handling equipment such as forklift trucks and warehouse equipment. Through efficient allocation of management resources, we will work to turn around Aichi’s performance as well as increase our shareholder value.

** TOYOTA Material Handling Company is a division of Toyota Industries Corporation, and manufactures and sells TOYOTA-brand materials handling equipment.*

Business Outlook for Fiscal 2003

The future course of the world economy is even more unpredictable than ever. In the U.S., once-robust consumer spending is waning and enterprises are cutting back on capital investment. In Europe, some countries are showing signs of an upswing, but Germany is slowing down and the situation in Europe as a whole is one of stagnation. In Japan, a rapid rebound in consumer spending cannot be expected in the face of rising unemployment, and the slow recovery of the U.S. economy makes it difficult for Japan to turn its economy around through exports. Economies in the rest of Asia, especially China, continue to expand, but it is generally agreed that the pace of expansion will slacken as a result of the slow recovery in the U.S. We expect that in the second half of fiscal 2003, ending March 31, 2003, Toyota Industries will face increasingly challenging economic conditions.

In these circumstances, we will seek to ensure that our products and services are attuned to customer needs. We will also continue with our cost-reduction activities. Our strategy will also 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.

We are confident that our long-standing policy of diversification will pay off in an unstable market environment, in that even if some of our businesses experience difficulties, other businesses will perform well, so allowing Toyota Industries to continue on the path to stable and sustainable growth.

For fiscal 2003 in full, we forecast the following: Consolidated net sales of ¥1,060 billion (US$8,646 million), an increase of 8.1% over fiscal 2002 and representing a ¥70 billion increase over our forecast at the beginning of fiscal 2003; ordinary income of ¥50 billion (US$408 million), an increase of 4.5% over fiscal 2002 and representing a ¥2 billion increase over our forecast at the beginning of fiscal 2003; and net income of ¥25 billion (US$204 million), a decrease of 8.5% from fiscal 2002 and representing a ¥1.5 billion increase over our forecast at the beginning of fiscal 2003.

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 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 medium- to long-term profitability and increase shareholder value through efficient management and implementation of ambitious strategies with specific goals in each business area. Concurrently, as a responsible corporate citizen, we emphasize activities to protect the natural environment and fulfill our other social responsibilities.

We thank all of our stakeholders, including shareholders, customers, suppliers, local communities and employees, for their support. As we look to secure further growth in shareholder value, we respectfully request a continuation of the support we have enjoyed to date.

December 2002

Akira Yokoi
Chairman

Tadashi Ishikawa

Tadashi Ishikawa
President