Best Ever Performance Despite Challenging Conditions

We are pleased to present the results of operations of Toyota Industries Corporation and its consolidated subsidiaries ("Toyota Industries") for the six months ended September 30, 2001 (the "term").

In November 2001, we celebrated our 75th anniversary. Our longevity is based on the continued support of our stakeholders, including our shareholders and customers. During those 75 years our business has developed and changed substantially. We have evolved from a specialty maker of automatic looms to a highly diversified company.

Effective August 1, 2001, we substituted our new English name for our former title of Toyoda Automatic Loom Works, Ltd., reflecting our diversified business universe, which now extends far beyond the manufacture of automatic looms.

Our results for the term can be summarized in a single word: Excellent. We achieved record highs for consolidated net sales, operating income and net income. Consolidated net sales totaled ¥479.0 billion (US$4,011.4 million), up 39.1% over the six months ended September 30, 2000 (the "previous term"). Consolidated operating income was ¥24.4 billion (US$204.4 million), an increase of 13.6%. Consolidated net income was ¥15.1 billion (US$126.8 million), an increase of 90.3%.

Our results were all the more remarkable given the adverse business environment prevailing in the term. The growth of the Japanese economy was anemic, with distinct signs of deflation and the government restricted in its policy options due to its huge fiscal deficit. Expectations of radical reforms relating to the business and financial sectors by the government were raised but not yet met. The U.S. economy, which had been robust for almost a decade, slowed, owing to the bursting of the information technology ("IT") "bubble." The European economy is also slowing as a result of the downturn in the IT industry. Similarly, in Asia exports and business activity generally were sluggish due to the worldwide slackening of demand for IT-related products and the economic slowdown in the U.S.

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥119.40=US$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on September 28, 2001.

Company-Wide Strength

Despite the unfavorable business environment, most of our business segments are essentially in good shape. Our two-digit percentage increase over the previous term for consolidated net sales and net income reflected our success in implementing a clearly defined strategy. We exploited our competitive strengths in each segment and cut costs vigorously. An overview of the term by segment follows.

Akira Yokoi *Chairman* **Tadashi Ishikawa** *President*

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

This segment consists of vehicle (automobile assembly), engine, car air-conditioning compressor and other businesses (including electronic components for automobiles). Net sales amounted to ¥266.1 billion (US$2,229.0 million), up 16.3% over the previous term and accounting for 55.6% of total net sales. Operating income was ¥13.5 billion (US$113.4 million), down 3.4% compared with the previous term.

■ Vehicle Business (Automobile Assembly Business)

We currently assemble four models in the Toyota Motor Corporation ("TMC") lineup: Vitz (Yaris in Europe), SPRINTER CARIB (Corolla Wagon outside Japan), RAV4 compact sport utility vehicle and bB Open Deck compact with small pickup bed. We began assembly and sales of the RAV4 and bB Open Deck during the term. Sales of the Vitz (Yaris), our mainstay vehicle, decreased due to TMC's commencement of Yaris production in Europe. Total Vehicle Business unit production for the term was 121,249, down 23,727 from the previous term.

Vehicle Business net sales amounted to ¥129.5 billion (US$1,084.4 million), up 26.5% over the previous term. The increase was due to the fact that Toyota Industries now pays for parts previously supplied free by TMC and recoups an identical aggregate amount in the form of increased unit prices to TMC. This change increased net sales by approximately ¥29.7 billion (US$248.7 million).

■ Engine Business

We produce gasoline and diesel engines for TMC vehicles and for our own line of forklift trucks. During the term, gasoline engine production totaled 88,590 units, an increase of 5,499 units over the previous term. Production of the 2UZ 4700cc V8 gasoline engine for the Lexus LX470 increased over the previous term, as was to be expected considering it was launched only in August 2000.

Production of diesel engines totaled 91,093 units, an increase of 9,659 units over the previous term. Production of 2000cc-class C-type diesel engines for automobiles decreased. This was outweighed by an increase in production of 1CD-type 2000cc direct injection turbo-diesel engines with a common rail fuel system.

Total engine production amounted to 179,683 units, up 15,158 units over the previous term.

In April 2001, Toyota Industries absorbed TMC's Industrial Equipment Sales Division. Sales of engines for forklift trucks are now all intersegment transactions. Previously, Toyota Industries sold forklift engines to TMC.

Excluding intersegment sales, sales of gasoline engines totaled 76,454 units and sales of diesel engines totaled 81,927 units. On the same basis, total engine sales amounted to 158,381 units, down 6,144 units from the previous term. Net sales excluding intersegment sales totaled ¥52.1 billion (US$436.1 million), an increase of 11.3%, reflecting a higher ratio of value-added products and consequent increase in the average unit sales price.

■ Car Air-Conditioning Compressor Business

Car air-conditioning compressors developed and manufactured by Toyota Industries are marketed to the leading auto manufacturers worldwide through DENSO Corporation ("DENSO"). Demand was strong in Europe, and continued to grow in Japan and North America, though less vigorously. In Japan, we sold 2.4 million units, an increase of 139,000 units over the previous term. Overseas, we sold 4.3 million units, up 463,000 units. Total unit sales amounted to 6.8 million units, up 602,000 units. Net sales totaled ¥78.4 billion (US$656.8 million), up 13.5% over the previous term.

In May 2001, to enhance their international competitiveness, Toyota Industries and DENSO agreed to integrate their production of car air-conditioning compressors. Toyota Industries now takes the lead in product development and manufacturing, while DENSO focuses on sales while undertaking limited manufacturing operations. Toyota Industries will gradually take over production of car air-conditioning compressors at DENSO's Toyohashi Plant. Overseas, production will be shared between the two companies on a country-by-country basis.

Materials Handling Equipment Segment

The 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 ¥180.5 billion (US$1,511.9 million), an increase of 119.4% over the previous term. Operating income was ¥8.0 billion (US$67.1 million), up 33.4%.

This substantial increase reflected two major changes. In June 2000, Toyota Industries acquired BT Industries AB ("BT Industries"), a leading warehouse truck manufacturer based in Sweden. BT Industries' sales were consolidated in Toyota Industries' results for the term, whereas they were not consolidated for the previous term. This increased net sales by approximately ¥78.9 billion (US$660.8 million). Also, in April 2001, TMC transferred its Industrial Equipment Sales Division to Toyota Industries. This increased net sales by approximately ¥12.8 billion (US$107.2 million).

In the forklift truck business excluding BT Industries, sales in North America were down, but sales in Europe increased. In the domestic market, sales of our GENEO-B (7FB outside Japan) electric counterbalanced forklift trucks continued strong, supported by good demand for environment-friendly vehicles. The GENEO-R (7FBR) electric reach trucks, launched in January 2001 mainly for the Japanese market, and others also contributed to total sales.

BT Industries' orders received were slightly up over the previous term. Orders received in Europe remained steady, but orders received in North America decreased due to the adverse economic environment. On the other hand, BT Industries' sales marked a two-digit percentage increase over the previous term, with sales in Europe continuing strong and sales in North America up, reflecting a substantial order backlog at the beginning of the term.

Sales of materials handling systems, which comprise automatic guided vehicle systems and automated storage and retrieval systems for the domestic market, increased substantially.

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

Our acquisition of TMC's Industrial Equipment Sales Division in April 2001 means that we now undertake comprehensive materials handling equipment operations, from design through production to sales and marketing. As a result, we are even better placed to deliver high levels of customer satisfaction.

Note: Toyota Industries consolidated BT Industries' operating results from the second half of the previous fiscal year.

Textile Machinery Segment

This segment comprises spinning machinery business, with the manufacture of ring spinning frames at its core, and weaving machinery business, based on the manufacture of air-jet looms. Toyota Industries is a world leader in both businesses. Textile Machinery Segment net sales amounted to ¥16.2 billion (US$135.6 million), an increase of 12.5% over the previous term. Operating income was ¥201 million (US$1.7 million), compared with a loss of ¥266 million (US$2.2 million) for the previous term and reflecting both increased net sales and organizational reform.

■ Spinning Machinery Business

During the term we conducted vigorous sales activities in Pakistan, Indonesia and Thailand. As a result, Spinning Machinery Business net sales totaled ¥7.0 billion (US$58.5 million), up 44.5% over the previous term.

■ Weaving Machinery Business

Sales of air-jet looms totaled 1,692 units, a decrease of 291 units from the previous term. Sales in China and Indonesia, which registered large increases the previous term, were down. Sales of water-jet looms totaled 741 units, up 247 units. Sales increased in China, South Korea and others. Net sales of the Weaving Machinery Business totaled ¥9.2 billion (US$77.1 million), down 3.7% from the previous term.

Others Segment

This segment, currently relatively small, comprises mainly new businesses that have outstanding growth potential. A core business in this segment is a joint venture, ST Liquid Crystal Display Corp. ("ST-LCD"), which we established with Sony Corporation in 1997. ST-LCD manufactures low-temperature polysilicon TFT-LCDs (thin film transistor liquid crystal displays), expected to be the next-generation TFT-LCD. TIBC Corporation ("TIBC"), a joint venture we established in 1998 with Ibiden Co., Ltd., is another core business within this

Tadashi Ishikawa
President

segment. TIBC manufactures ball grid array (BGA) plastic package substrates for application in IC chipsets, and flexible printed circuit substrates for IC cards. This segment also includes the manufacture and sales of press dies and manufacturing equipment.

Others Segment net sales totaled ¥16.1 billion (US$134.8 million), down 14.2% from the previous term. This was due largely to a decrease in sales of press dies and manufacturing equipment, which outweighed an increase in electronics business sales, including those of TIBC. However, including intersegment transactions, sales were ¥22.7 billion (US$190.0 million), up 8.7% over the previous term. Operating income totaled ¥2.8 billion (US$23.8 million), an increase of 51.0%, reflecting a strong performance by TIBC and other factors.

** ST-LCD is not consolidated but is accounted for by the equity method in Toyota Industries' consolidated financial results. Its operating income (loss) is not included in the operating income (loss) for this segment.*

Priorities During the Term

Cost Reduction

During the term, we both reduced costs aggressively and improved manufacturing productivity. 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 VE (Value Engineering) and VA (Value Analysis) activities, we undertook general expense and head office fixed cost reduction activities, examined the introduction of SCM (Supply Chain Management) and sought to optimize our procurement of materials and components globally.

Exploiting IT

We have set the exploitation of the latest advances in IT as an important strategic objective. 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 installing three-dimensional CAD (Computer Aided Design) systems to further improve productivity in our development and production activities company-wide. Exemplifying our adoption of advanced IT, the development department of our Vehicle Division has introduced V-Comm (Virtual & Visual Communication System), which it used to reduce the development period of the bB Open Deck. We are also using IT to cut fixed costs and enhance customer satisfaction. We are pushing ahead with the introduction of ERP (Enterprise Resource Planning) systems. We are now gradually harnessing ERP to upgrade our accounting, procurement, personnel and production management. We are convinced that the adoption of ERP will facilitate improved management generally among non-manufacturing divisions, and will allow swifter decision-making through universal access to a unified management database.

Business Outlook for Fiscal 2002

The future course of the world economy is even more unpredictable than usual. The slowdown in the IT field and the aftermath of the terrorist attacks on the U.S. in September 2001 have created great uncertainty. We forecast that in the second half of the fiscal year ending March 31, 2002 (“fiscal 2002”) Toyota Industries will face increasingly challenging economic conditions. Our electronics-related business is likely to be adversely affected by the IT slowdown, and our Materials Handling Equipment Segment will suffer from its vulnerability to lower demand in the North American market.

Under such 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. We seek to improve management efficiency through enhanced application of IT and review the need for further organizational changes, including changes at head office. We will reinforce our management base to remain flexible in the face of market change. We are confident that our policy of diversification will pay off, in that even if certain of our businesses experience difficulties, Toyota Industries as a whole will continue to grow.

For fiscal 2002 in full we forecast the following: Consolidated net sales of ¥940.0 billion (US$7,872.7 million), up 22.5% over fiscal 2001 and representing a ¥20.0 billion (US$167.5 million) increase over our forecast at the beginning of fiscal 2002; Income before income taxes of ¥47.0 billion (US$393.6 million), up 23.0% over fiscal 2001 and representing a ¥6.0 billion (US$50.3 million) decrease from our forecast at the beginning of fiscal 2002; Net income of ¥25.5 billion (US$213.6 million), up 12.6% over fiscal 2001 and representing a ¥5.5 billion (US$46.1 million) decrease from our forecast at the beginning of fiscal 2002.

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, inherently are subject to significant business, economic competitive, regulatory and operational uncertainties, contingencies and risks, many of which are beyond our control. Financial projections necessarily are 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 global economic conditions make it particularly difficult at present to predict product demand and other related matters.

Maximizing Shareholder Value

The most important aspect of our corporate mission is to increase shareholder value. We aim to improve profitability and increase shareholder value through implementation of ambitious strategies with specific goals in each business area, and by streamlining operations. Concurrently, as a responsible corporate citizen, we emphasize activities to protect the natural environment and fulfil our other social responsibilities.

We thank our shareholders, customers, suppliers, employees and all others with an interest in our business for their support. As we look to secure further growth in shareholder value, we respectfully request a continuation of that support.

December 2001

Akira Yokoi
Chairman

Tadashi Ishikawa

Tadashi Ishikawa
President