Akira Yokoi
Chairman

Tadashi Ishikawa
President

Dear Shareholders:

Toyota Industries' results for the sixth months ended September 30, 2004 (the "term") were truly outstanding. Reflective of our excellent performance and commitment to the future, we not only attained record-high interim consolidated net sales and profits but also formulated a host of long-term measures to ensure ongoing growth in the years ahead.

Record-Breaking Performance

The Japanese economy sustained a mild recovery during the term, underpinned by growth in exports and private-sector capital investment. Overseas, the U.S. economy performed strongly while the European economy continued to record modest growth.

Despite concerns about exchange rate fluctuations and rising prices of raw materials, Toyota Industries once again posted excellent results due largely to smooth implementation of optimal business strategies utilizing the competitive strengths of respective businesses, the promotion of company-wide cost-reduction activities and the aforementioned favorable economic conditions.

Toyota Industries posted consolidated net sales of ¥607.1 billion during the term, up 6.6% over the six months ended September 30, 2003 (the "previous term"). Consolidated operating income increased 11.4% to ¥30.1 billion; consolidated ordinary income increased 28.9% to ¥38.9 billion; and consolidated net income increased 40.1% to ¥23.9 billion. All of these amounts represent all-time highs for Toyota Industries.

Of particular note, despite less-than-optimal domestic economic conditions, we have attained record-high consolidated net sales, consolidated operating income and consolidated ordinary income for five consecutive years. Additionally, consolidated net income has reached a record-high for two consecutive years. Thus, we believe these results provide solid evidence that our management strategies are on the right course.

Most Segments Sustain Favorable Results

All segments except for the Textile Machinery Segment continued to post favorable results and recorded sales and profit increases over the previous term. The Materials Handling Equipment Segment in particular achieved outstanding results. Operating results by business segment are summarized below.

Note: While segment net sales figures do not include intersegment transactions, segment operating income figures do include operating income arising from intersegment transactions.

Automobile Segment

The Automobile Segment, consisting of vehicles, engines, car air-conditioning compressors and other businesses (including foundry parts for engines and electronic components for automobiles), is Toyota Industries' largest business segment and accounts for 50.8% of consolidated net sales.

Net sales increased 4.2% over the previous term to ¥308.7 billion, thanks to growth in sales of vehicles, engines and car air-conditioning compressors. Operating income increased 3.2% to ¥15.2 billion. A summary of each of the principal businesses making up the Automobile Segment follows.

Vehicle Business

The Vehicle Business produces the Vitz (Yaris in Europe), RAV4 (for Europe and North America) and Corolla Sedan (for North America) under consignment from Toyota Motor Corporation ("TMC").

Despite lower production of the Corolla Sedan during the term, the Vehicle Business recorded a 1,300-unit increase in production to 115,600 vehicles due to higher production volume of the mainstay Vitz for the domestic market and growth in production of the RAV4.

Net sales of the Vehicle Business amounted to ¥139.4 billion, an increase of 2.9% over the previous term.

Engine Business

The Engine Business mainly produces diesel engines and gasoline engines for TMC vehicles and forklift trucks. Engines for forklift trucks are supplied to TOYOTA Material Handling Company ("TMHC"), our in-house company, and are recorded as internal sales (intersegment transactions).

Production of gasoline engines, excluding those for forklift trucks, decreased 11,400 units to 70,000 units due to decreased production of the 2UZ, 2AZ and 1FZ gasoline engines. Production of diesel engines, excluding those for forklift trucks, increased 13,900 units over the previous term to 89,200 units. This increase resulted from favorable European sales of vehicles equipped with the 1CD 2000-cc direct injection turbo diesel engine with a common rail fuel system and higher sales of vehicles fitted with the 1HZ diesel engine in Australia. As a result, overall production of engines, excluding those for forklift trucks, increased 2,500 units to 159,200. Internal sales (intersegment transactions) of gasoline engines and diesel engines to TMHC amounted to 30,200 units, an increase of 6,500 units over the previous term.

Net sales of the Engine Business, excluding intersegment transactions, totaled ¥56.5 billion, up 8.1%.

Car Air-Conditioning Compressor Business

The car air-conditioning compressors developed and produced by Toyota Industries are sold to the world's leading auto manufacturers through DENSO Corporation ("DENSO").

In Japan, sales of air-conditioning compressors amounted to 2.6 million units, an increase of 105,000 units over the previous term. Overseas sales of car air-conditioning compressors were also favorable, increasing 312,000 units to 6.6 million units. This reflected an increase in the number of vehicle models newly fitted with our compressors in North America as well as robust sales of other vehicles equipped with our compressors. Total sales volume of car air-conditioning compressors thus amounted to 9.2 million units, an increase of 417,000 units over the previous term. Net sales of the Car Air-Conditioning Compressor Business increased 0.5% to ¥101.3 billion.

At the end of April 2004, cumulative production of car air-conditioning compressors in Japan, Europe and North America by Toyota Industries, which initiated production of compressors in January 1960, reached 200 million units. This milestone highlights the wide acclaim from the world's leading car manufacturers in recognition of the high quality and leading-edge technologies embodied in these products. As we strive to further solidify our strong market position, we will remain committed to further bolstering our technological capabilities and aggressively develop car air-conditioning compressors that address customer needs.

Materials Handling Equipment Segment

The Materials Handling Equipment Segment primarily manufactures and sells forklift trucks, warehouse trucks, automated storage and retrieval systems and automatic guided vehicle (AGV) systems as well as such special-purpose vehicles as aerial work platforms.

Net sales by the Materials Handling Equipment Segment amounted to ¥239.9 billion, an increase of 10.9% over the previous term. Operating income increased 36.0% to ¥12.0 billion.

TMHC, excluding sales of BT Industries, recorded increases in sales volumes both in Japan and overseas, propelled by the recovery in the global economy. TMHC proactively strengthened response capabilities for major customers in Japan and overseas and focused its sales activities on securing fleet management contracts.

BT Industries attained a 5.0% increase in net sales on a Swedish krona-denominated basis over the previous term. Higher sales in North America, Europe and other regions in tandem with the recovery of the global economy supported this increase.

Sales by Aichi Corporation ("Aichi"), which became a Toyota Industries subsidiary in May 2003, amounted to ¥17.7 billion, a decrease of 6.1% from the previous term. Nonetheless, steady strides in implementing the Toyota Production System (TPS), coupled with the effects of cost reductions, enabled Aichi to achieve operating income of ¥1.4 billion, a 26.6% increase over the previous term; ordinary income of ¥1.5 billion, a 42.0% increase; and net income of ¥1.7 billion, a 76.0% increase.

Textile Machinery Segment

The Textile Machinery Segment manufactures and sells spinning-related machinery centering on ring spinning frames and weaving-related machinery such as air-jet looms. Toyota Industries is one of the world's leading manufacturers of air-jet looms and spinning machinery.

Chiefly owing to declining sales and falling sales prices due to intensifying competition, net sales of the Textile Machinery Segment amounted to ¥22.3 billion, a decrease of 6.5% from the previous term. Consequently, this segment posted an operating loss of ¥0.14 billion, a 134.9% difference from operating income posted in the previous term.

Sales of air-jet looms decreased approximately 600 units to 4,000 units due to a decline in orders in China, our principal market, caused by a tighter monetary policy. Sales of water-jet looms amounted to around 450 units, a decrease of approximately 300 units. Conversely, in spinning-related machinery, sales volume of spindles for ring spinning frames increased approximately 38,000 spindles to 260,000 spindles. This gain was supported by an increase in sales of ring spinning frames in Pakistan and an increase in local sales by our production and sales base in India.

Others Segment

The Others Segment consists mainly of new businesses that we have entered recently, and although still relatively small in scale, contains strategic businesses foreseen as future pillars of growth. One of the core businesses of this segment is TIBC Corporation ("TIBC"), which was established in 1998 as a joint venture with Ibiden Co., Ltd. to manufacture ball grid array (BGA) plastic package substrates and flexible printed circuit (FPC) substrates. Our Logistics Solutions Business is also included in this segment.

Net sales of the Others Segment amounted to ¥36.2 billion, an increase of 8.9% over the previous term. This was due primarily to higher sales by the Taikoh Transportation Group, which engages in transportation and other logistics businesses; increased sales in logistics solutions-related businesses; and growth in sales by TIBC owing to robust sales of package substrates for PCs and mobile phones. Operating income increased 7.2% to ¥3.3 billion.

ST Liquid Crystal Display Corp. ("ST-LCD"), which was established in 1997 as a 50-50 joint venture with Sony Corporation to manufacture low-temperature polysilicon TFT-LCD panels, also forms a core pillar of our Electronics Business. ST-LCD is not a consolidated subsidiary, but rather is accounted for by the equity method in Toyota Industries' consolidated financial results. Therefore, its sales and operating income (loss) are not included in the results for this segment. In addition to improved profits, ST-LCD recorded a sharp increase in sales during the term due to solid sales of its low-temperature polysilicon TFT-LCD panels for mobile phones and digital still cameras. In October 2004, cumulative shipment of ST-LCD's TFT-LCD panels surpassed 100 million units.

Achievements during the Term

Toyota Industries undertook an array of forward-looking strategic initiatives during the term with the aim of raising its current and future profitability. Some of the more notable measures are as follows.

Approach toward the Logistics Solutions Business

As previously noted, Toyota Industries has commenced operations of its Logistics Solutions Business, in which we are engaged in all aspects of outsourced logistics from logistics planning and the operation of distribution centers to improving our customers' entire supply chains. We are solidly positioned to utilize our production and sales experience of such materials handling equipment as forklift trucks and automated storage and retrieval systems, as well as our accumulated production know-how gained through the implementation of the TPS. Moreover, in view of the growing needs in Japan for logistics rationalization, we believe our Logistics Solutions Business will become a future growth business.

We have laid the groundwork for expanding this business through a variety of measures. In addition to steadily securing orders for the operation of distribution centers, we have established joint ventures with customers to undertake their logistics operations and promoted alliances with logistics companies. For instance, in March 2004 we signed a basic agreement with Fuji Logistics Co., Ltd. ("Fuji Logistics") and Fuji Electric Holdings Co., Ltd. to form a business and capital alliance covering all aspects of logistics services. Based on this agreement, in April 2004 we established TF Logistics Co., Ltd. ("TF Logistics," 51% investment by Toyota Industries), a joint venture with Fuji Logistics. TF Logistics will undertake outsourced logistics for companies and develop and offer new value-added logistics services. Seizing diverse opportunities, Toyota Industries will expand its business for providing strategic logistics solutions.

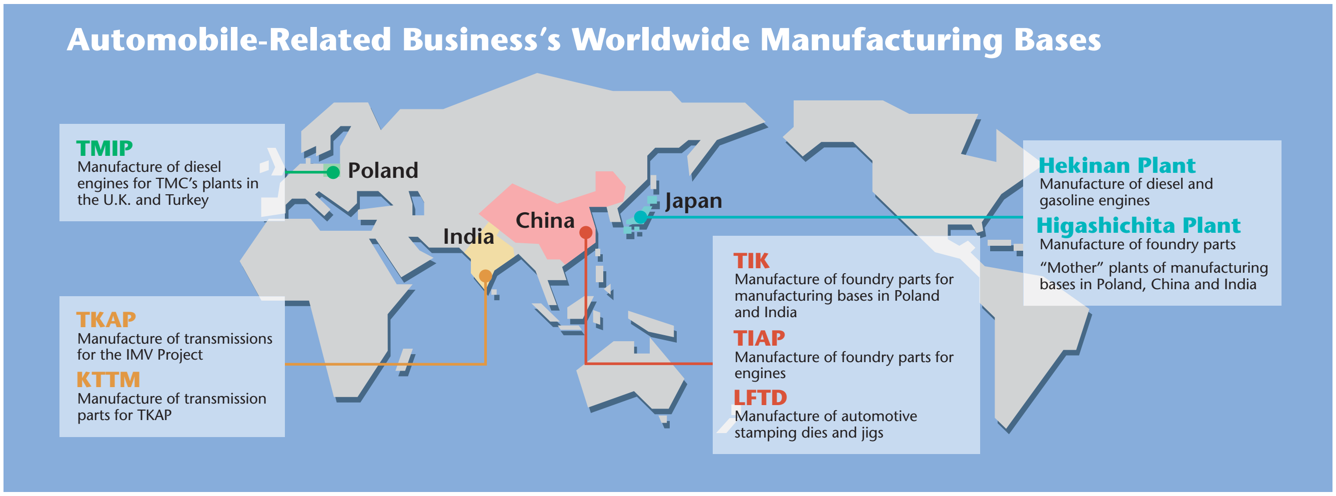
Overseas Development of Automobile-Related Business

In diesel engines and other fields, Toyota Industries engages in a diverse range of overseas activities, with efforts aimed largely at contributing to the overseas strategies of TMC.

In Poland, preparations are underway for starting production of diesel engines for TMC in early 2005 at Toyota Motor Industries Poland Sp.zo.o. ("TMIP"), a joint venture between Toyota Motor Engineering & Manufacturing Europe S.A./N.V., a 100%-owned subsidiary of Toyota Motor Europe S.A./N.V., and Toyota Industries (40% equity stake). Diesel engine vehicles enjoy high demand in Europe on account of excellent fuel economy and environmental friendliness. TMIP intends to manufacture and supply 2000-cc class diesel engines for the Corolla, which is produced at Toyota Motor Manufacturing (UK) Ltd. ("TMUK") and Toyota Motor Manufacturing Turkey Inc., as well as for the Avensis produced at TMUK. In Japan, Toyota Industries' Hekinan Plant, our production base for engines, will proactively support TMIP in gearing up for the start of production. The Hekinan Plant will serve as a "mother" plant, a model plant for quality, productivity and production technology, transferring know-how and providing technical and personnel support for overseas bases.

In May 2004, Kirloskar Toyoda Textile Machinery Limited ("KTTM"), a subsidiary of Toyota Industries in India that manufactures and sells textile machinery, began manufacturing aluminum die cast components to contribute to TMC's Innovative International Multi-Purpose Vehicle (IMV) Project. KTTM is currently supplying these products to India-based Toyota Kirloskar Auto Parts Pvt. Ltd. ("TKAP"), which in turn supplies manual transmission systems for the IMV Project. (TKAP is a joint venture between TMC and the Kirloskar Group, with Toyota Industries holding a 26% share.)

In China, Toyota Industry (Kunshan) Co., Ltd. ("TIK"), a subsidiary of Toyota Industries, produces foundry parts in Kunshan, Jiangsu Province. In order to augment production capacity, in April 2004 we established Toyota Industry Automotive Parts (Kunshan) Co., Ltd. ("TIAP") as our second production base for foundry parts in China together with



Taiwan-based Lioho Machine Works, Ltd. ("Lioho") and Toyota Tsusho Corporation. (Toyota Industries has a 60% investment in TIAP.) TIAP is scheduled to start production in April 2005. Moreover, in view of expected further growth of China's automobile market, we established Lio Fung Tool & Die (Kunshan) Co., Ltd. ("LFTD"), a joint venture with Lioho that began manufacturing automotive stamping dies in April 2004. (Toyota Industries has a 35% investment in LFTD.)

Striving to make meaningful contributions to TMC's overseas strategies, Toyota Industries is actively promoting an array of initiatives to expand its automobile-related business.

Second Production Base for Car Air-Conditioning Compressors in North America

To meet the local procurement requirements of automakers in North America, Toyota Industries and DENSO jointly established TD Automotive Compressor Georgia, LLC ("TACG") in July 2004 as a second car air-conditioning compressor production base in North America. Situated near Atlanta, Georgia, TACG is scheduled to commence production in December 2005. Fixed compressors, which are noted for outstanding reliability at high operating speeds, have been the primary compressors used in North America. However, amid rising environmental awareness, Toyota Industries projects that variable displacement compressors, which offer excellent fuel efficiency, will experience growth in demand similar to Europe and Japan. Accordingly, TACG will respond to this anticipated rise in demand from automakers as a plant specializing in variable displacement compressors. By locally manufacturing variable displacement compressors at TACG and fixed displacement compressors at Michigan Automotive Compressor, Inc., an existing subsidiary in Michigan, Toyota Industries will build a supply structure for responding quickly to customer needs, thereby expanding its business in the North American market.

TD Automotive Compressor Georgia, LLC (Artist's rendering)

Quality-Control and Cost-Reduction Activities

Toyota Industries recognizes that its ability to continually reduce costs and offer outstanding quality products and services represents one of its core competencies. Each division implements cost-reduction projects and carries out systematic and well-planned cost-reduction activities. Besides strengthening our ongoing value engineering (VE) and value analysis (VA) activities, our cost-reduction activities extend to a diverse range of fields, including consideration of optimized global procurement of materials. We are also striving to reduce fixed costs at our head office. As part of these efforts, we are reviewing the head office organization, including spinning off functions as subsidiaries and promoting extensive activities to cut expenses.

Initiatives to continually enhance quality are paramount for providing products and services that can satisfy customers. Conversely, any serious quality-related problem could jeopardize a company's future existence in a worst-case scenario. With this in mind, Toyota Industries regards "thorough quality assurance" and "maintenance and improvement of quality" as supremely important management policies, and carries out group-wide quality-improvement activities. Extending beyond quality-related education for employees that encompasses quality-control methods, these activities include the setting of ambitious quality targets in each division. Not only the director in charge of product quality and division managers (or an in-house company president), but also President Ishikawa and other top executives make on-site inspections to check the quality-improvement activities and confirm progress in reaching quality targets.

Business Outlook for Fiscal 2005

Although we expect overall economic growth to continue during the second half of fiscal 2005, ending March 31, 2005, we are also prepared to face the hurdles of a challenging business environment. While the Japanese economy is expected to remain on a recovery track, bolstered by higher exports and a robust expansion in private-sector capital investment, this optimistic outlook is nonetheless tempered by a host of risk factors. Weak growth in consumer spending, soaring prices of raw materials such as crude oil and steel, as well as exchange rate fluctuations, are among the obstacles to growth. Moreover, there is particular concern in the industry about the effects of a tightening monetary policy and skyrocketing crude oil prices on the U.S. economy, as well as the backlash in China resulting from overheated investment.

Despite such challenging economic conditions, we are pleased to report that Toyota Industries has raised its initial earnings forecasts for fiscal 2005. We expect results to surpass initial projections on account of our success in developing new products closely attuned to customer needs, undertaking sales-expansion activities focused mainly on our core businesses and implementing proactive quality-improvement initiatives. We will also promote further cost-reduction activities, progress with global business development, improve management efficiency and strengthen our management foundation while securing profitability.

For fiscal 2005 we forecast consolidated net sales of ¥1.23 trillion (initial forecast of ¥1.15 trillion), up 5.6% over the previous fiscal year; consolidated ordinary income of ¥70.0 billion (initial forecast of ¥60.0 billion), an increase of 18.7%; and consolidated net income of ¥40.0 billion (initial forecast of ¥34.0 billion), up 19.0%. Our forecast is based on an assumed exchange rate of ¥109/US$1.

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 at present to predict product demand and other related matters.

Maximizing Shareholder Value

The management team of Toyota Industries believes its most critical mission is to continually maximize shareholder value over the medium and long terms. In fulfilling this mission, we are working to expand business in the short term while strengthening medium- to long-term profitability. To this end, we will strategically manage our businesses, cultivate personnel who are well versed in the TPS — the source of our competitiveness — and establish efficient management systems that encompass the head office organization. Determined to win the trust of society as a good corporate citizen, we will also actively implement environmental protection and social contribution activities. Concurrently, we will earnestly promote compliance and corporate governance initiatives.

In closing, we ask our shareholders for your continued support and guidance.

December 2004

Akira Yokoi
Chairman

Tadashi Ishikawa
President