



Center: Chisei Isogai Left: Akira Yokoi Right: Tadasbi Ishikawa

It is our pleasure to present our 1999 annual report for Toyoda Automatic Loom Works, Ltd.

Since the launch of our business as a manufacturer of textile machinery more than 70 years ago, the company has been at the forefront of developing leading-edge technologies and introducing epoch-making products in a wide range of industries.

At present, our core business is based on the automobile-related sector, which includes the assembly of compact cars, manufacture of automobile engines and development and production of car air-conditioning compressors. This sector continues to grow along with the expansion of our independent company, Toyota Motor Corporation. Of particular note, as a result of superior product development and technology with regard to compressors, our products have achieved the top share position for use not only by TOYOTA but also among global auto manufacturers.

In addition, the forklift business is the mainstay of the industrial vehicle segment, another area in which we have been successful in developing innovative products that have also enabled us to attain dominance as a leader in this field.

Based on our recognized leadership and superior know-how within textile machinery and other core businesses, to ensure the growth of the company in the coming century, we have diversified into the electronics sector, with a main focus on producing LCD devices and plastic package boards for mounting ICs. As a high-growth area, we are confident of our ability to maximize gains through expansion in this segment, which is expected to become a third pillar of our mainstay businesses.

Cognizant of our corporate and social responsibilities, management also will continue to address a myriad of issues, which includes seeking solutions to preservation of the environment in addition to contributing to the local communities in which we work and live. Of equal importance, we will continue to maintain a high priority on achieving the highest quality of customer satisfaction and shareholder value.

Performance and Operating Environment

For the first time in 5 years, we recorded a negative growth in sales and profits for fiscal 1999. However, results in the domestic and the overseas markets showed significant contrast between them.

For the domestic market, business downturn continued to remain gloomy, in the aftermath of the Japanese financial sector's distress. These difficulties caused a cooling off of capital investment by the private sector and a reduction in consumer spending, thus domestic sales declined by 10.0% to ¥380,139 million.

On the other hand, overseas sales greatly improved in fiscal 1999, creating a sound foundation for the

future growth of the Company. Overseas sales rose by 18.8% to ¥178,737 million from the previous year, constituting the second consecutive year of growth and marking yet another year of record high figures.

Sales were good, particularly in Europe where the demand for car air-conditioning compressors for German luxury cars was very strong, recording a substantial increase of 34.5% to 2,314 thousand units. As a result, our estimated global car air-conditioning compressor market share has reached 28%.

Also, the number of forklifts sold grew substantially by 36.0% to 22,220 units in North America and by 28.3% to 11,239 units in Europe. As a result, our estimated global forklift market share has reached 14%.

Medium and Long-Term Strategy

Our basic management policy is: Quality First, Priority to Customers, Technological Innovation, and Active Participation by All Members of the Company. In particular, we put emphasis on the following:

1. *Development of attractive new products*
2. *Thorough commitment to productivity improvement*
3. *Cost reduction campaign in development, procurement, production and administration areas.*

We classify each of our business units into the following 3 categories, according to our management strategy purposes, as follows:

Category I Business

Businesses contributing to TOYOTA car production, as a member of the Toyota Group companies

This category of business is composed of the following business units:

- | *Automobile assembly*
- | *Engines*
- | *Foundry*

Our targets are persistent improvement of quality and cost effectiveness, which are designed to keep up the renowned quality of TOYOTA cars. Also, active innovation should be carried out in order to improve the value of TOYOTA cars.

We will be focusing, in the Automobile assembly business unit, on the manufacture of TOYOTA compact passenger cars, in order to satisfy customers the world over and, in the Engines business unit, on the development of environment-friendly and high performance engines, as well as fulfilling the role as supplier of engines to TOYOTA in general.

Category II Business

Businesses seeking global markets through aggressive product planning and development utilizing our technology

This category of business is composed of the following business units:

- | *Car air-conditioning compressors*
- | *Logistics & Forklifts (material handling systems and industrial equipment)*
- | *Textile machinery*

These business units are actively involved in new product planning, development, production and sales, taking advantage of our proprietary technology, they are aiming for the global market.

The Car air-conditioning compressors business unit plans to boost the global market share over 30% by actively expanding its sales in North America and starting local production in Germany, so as to enter rapidly into the popular European car market, ever growing, while maintaining its dominant position in the domestic market.

The Logistics & Forklifts business unit plans to raise

the global market share in forklift sales, currently at 14%, to 25% by 2005, through the introduction of epoch-making new products and by aggressive marketing overseas.

The Textile machinery business unit has added water jet looms, acquired from Nissan Texsys Co., Ltd. in April 1999, to our production line and plan to increase sales.

Category III Business

We intend to expand this business, making it one of our core businesses in the future. Its main products will be semiconductors and electronics equipment (mainly for automobiles and industrial equipment) and liquid crystal display devices produced by our joint venture with Sony Corporation, and plastic package boards for IC chips to be produced by our joint venture with Ibiden Co., Ltd., since April 1999.

We plan to achieve a smooth start-of-production and to continue improving our quality and productivity. Although severe conditions are to be expected for the time being, we plan to concentrate our efforts on making these businesses grow to form a strategic business unit, in the medium and long term perspectives.

By classifying our businesses into the 3 categories, as mentioned above, we intend to clearly define our management strategy and to create solid implementation structures in order to increase the earning powers of the Company.

For the benefit of shareholders, we will try to maintain a stable dividend policy, increase ROA and ROE with effective use of the assets of the Company, and also increase the value of the Company as a whole, so as to stabilize the movement and appreciation of share prices.

July, 1999



Chisei Isogai
Chairman



Akira Yokoi
Executive Vice Chairman



Tadashi Ishikawa
President