To Our Shareholders

Akira Yokoi
Chairman

Tadashi Ishikawa
President

On June 28, 2001, the Ordinary General Meeting of Shareholders approved a motion to change the name of the company. As a result, effective August 1, 2001, the English name of the company became Toyota Industries Corporation ("Toyota Industries"). Among the chief reasons for the change were our acquisition in June 2000 of BT Industries AB ("BT Industries") and our absorption in April 2001 of the industrial equipment sales division of Toyota Motor Corporation ("TMC"). These businesses now fall within the compass of our Materials Handling Equipment Segment. Also, it was felt that our corporate name should more accurately reflect the range of our business domain, which now stretches far beyond the manufacture of automatic looms.

Mr. Chisei Isogai, Chairman, decided that the company's 75th anniversary year was an appropriate time for him to retire. At a board meeting held immediately after the Ordinary General Meeting of Shareholders on June 28, 2001, Mr. Akira Yokoi, Vice Chairman, was elected to the post of Chairman as Mr. Isogai's successor. Mr. Tadashi Ishikawa, President, continues in his position. The position of Vice Chairman has not yet been filled. There were also changes in management positions below the rank of Vice President effective June 28, 2001 as well.

All members of the new leadership team are determined to enhance the international competitiveness of Toyota Industries and to manage successfully the continuing diversification of the company.

Best Ever Performance

We are pleased to present the consolidated business results of Toyota Industries Corporation for the fiscal year ended March 31, 2001 ("fiscal 2001"). Fiscal 2001 was another year of strong performance for Toyota Industries and its consolidated subsidiaries. We are confident that we will maintain the momentum of this success in the years to come.

Financial Results for Fiscal 2001

Net sales, operating income, net income, and net income per share for fiscal 2001 (ended March 31, 2001) all reached record highs. Net sales and net income showed a two-digit percentage improvement over fiscal 2000 (ended March 31, 2000).

For fiscal 2001, Toyota Industries posted net income of ¥22.6 billion (US$182.7 million) on net sales of ¥767.4 billion (US$6,193.6 million), up 65.4% and 22.6%, respectively, over the corresponding figures for the previous fiscal year. Operating income was ¥47.3 billion (US$381.8 million), an increase of 63.9%. Net income per share was ¥75.90 (US$0.61), compared with ¥48.32 for the previous fiscal year.

Our record results were all the more remarkable given that the business environment was hardly favorable. The Japanese economy showed some signs of recovery during the first half of fiscal 2001, but in the second half growth returned to anemic levels and a general downturn in confidence was reflected in a sharp fall on the stock market. The U.S. economy began to falter and, although the European and Asian economies generally held firm, the prospect of a serious contraction in the U.S. cast a shadow over both.

Our excellent business performance in an adverse business climate testified to our success in implementing a sound, clearly defined strategy, exploiting the particular competitive strengths of each of our business segments and executing a series of vigorous cost reduction measures.

Results by Segment

Automobile Segment

This segment includes automobile assembly, engines, car air-conditioning compressors, and electronic equipment for automobiles.

Net sales amounted to ¥457.6 billion (US$3,693.6 million), up 8.1% over the previous fiscal year. Operating income was ¥28.5 billion (US$230.2 million), up 16.8%. This increase in segment sales was largely owing to increased sales of car air-conditioning compressors in North America and Europe, strong Vitz (Yaris) small car sales and an increase in the number of models in our engine range.

Materials Handling Equipment Segment

This segment covers operations relating to automatic guided vehicle systems, automated storage and retrieval systems, warehouse trucks, and forklift trucks. The operations of BT Industries, which Toyota Industries acquired in June 2000, now come under the wing of this segment.

Sales were strong in Europe, the U.S., and Japan. Net sales amounted to ¥236.5 billion (US$1,908.8 million), up 58.6% over the previous fiscal year. Operating income was ¥14.5 billion (US$117.4 million), up 153.0%.

Textile Machinery Segment

This segment comprises spinning machinery and weaving machinery businesses. The former includes the manufacture of ring spinning and roving frames, etc., while the latter includes air-jet looms, water-jet looms, sizing machines, and others.

Net sales amounted to ¥33.2 billion (US$268.3 million), up 43.7% over the previous fiscal year. Operating income improved from an operating loss of ¥2.97 billion the previous fiscal year to operating income of ¥35 million (US$0.28 million) in fiscal 2001.

These results reflect the success of vigorous sales activities, particularly in Southeast Asia, and improvements in management efficiency through restructuring.

Others Segment

This segment includes electronic components, press dies, and others. It incorporates TIBC Corporation ("TIBC"), a joint venture with Ibiden Co., Ltd. that mainly manufactures ball grid array (BGA)-type plastic package substrates for application in high-function IC chipsets.

Net sales of this segment amounted to ¥40.0 billion (US$322.9 million), up 32.8% over the previous fiscal year. Operating income was ¥4.4 billion (US$35.2 million), up 480.5%.

Sales of ST Liquid Crystal Display Corp. ("ST-LCD"), a 50-50 joint venture with Sony Corporation, are not included in the consolidated figures, but are accounted for by the equity method. ST-LCD began the manufacture of low-temperature polysilicon thin film transistor liquid crystal displays ("poly-Si TFT LCDs") in April 1999. Sales have since expanded rapidly, in line with ST-LCD's business plan, and losses recorded by the equity method have greatly decreased.

Achievements in Fiscal 2001

M&A and Business Integration

Toyota Industries aims to secure a position of global leadership for its materials handling equipment business, one of our core business segments. During the period under review, we took two important steps toward achieving this goal.

In June 2000, Toyota Industries acquired the Swedish company BT Industries, a global leader in the production of warehouse trucks. Toyota Industries had specialized in counterbalanced forklift trucks. The acquisition therefore made very good sense in terms of product mix and Toyota Industries now offers a comprehensive lineup of materials handling equipment.

In April 2001, Toyota Industries absorbed the industrial equipment sales division of TMC, which had been responsible for the sales and marketing of equipment developed and manufactured by Toyota Industries. Whatever a customer's needs and location, we are now ready to offer a comprehensive materials handling solution.

Cost Reduction

During fiscal 2001, we sought substantial reductions in operating and other costs to ensure that we would be in good shape to meet the intensifying competition across our business universe.

A special project team in each business division employs advanced cost management techniques, including value engineering (VE) at the development stage and value analysis (VA). We have also raised awareness among all employees of the need to reduce expenses, and have curtailed fixed costs at the head office. In addition, using the power of information technology (IT), we have begun to improve the productivity of non-manufacturing divisions based on a review of basic business procedures.

The development department of our Vehicle Division has been introducing the V-Comm (virtual & visual communication system) and CAE (computer-aided engineering) systems, which were used to reduce the development period of the bB Open Deck, TOYOTA's bB-based new compact car, designed and manufactured by our Vehicle Division, and launched by TMC in June 2001.

In April 2001, we began a three-year cost reduction program that will build on the progress made in fiscal 2001. Each project team will reinforce VE and VA activities in order to achieve an even higher level of overall efficiency. Measures to be taken include optimized global procurement of materials and components, plus the introduction of supply chain management. If these steps bear fruit, our profit structure will further improve.

New Products

During fiscal 2001, we continued to develop, manufacture, and market new products that are fully in tune with the needs of our customers. We are confident that a number of our recently launched products will become mainstays of Toyota Industries' lineup.

In January 2001, we launched the GENEO-R reach truck, which is exclusively for the Japanese market. The GENEO-R is an advanced electric reach truck with a capacity of one to three tons, depending on the model. The GENEO-R is the first reach truck to employ our state-of-the-art "System of Active Stability (SAS)" lift truck safety technology, standard in other models in the GENEO series (7-Series overseas) and designed to reduce the risk of tip-over. Conventional reach trucks are associated with instability on slippery surfaces and when turning, but the SAS technology counteracts this drawback. Equipped with a dedicated AC drive system for lift trucks, the GENEO-R also offers ease of operation and maintenance.

In fiscal 2001, we launched two types of car air-conditioning compressors for the European market. The 5SE09, a compact, lightweight compressor with one-way swash plate and continuous variable displacement, offers excellent fuel efficiency and acceleration by controlling displacement via sensors that monitor the operating environment. The 5SL12 is a compact, internally controlled compressor with one-way swash plate and continuous variable displacement.

In August 2000, we began production of the 2UZ engine at our Hekinan Plant. This 4700cc V-8 gasoline engine powers the Lexus LX470, an SUV model marketed by TMC in the United States.

In April 2000, our Textile Machinery Segment launched the Internet TTCS (Toyoda Total Computer System), an Internet-compatible textile-production control system. TTCS can access weaving machines in mills throughout the world via the Internet and monitor production, stoppages, machinery condition, product quality, etc. The scope for improvements in efficiency using TTCS is substantial.

New "In-House Company" Combines Development and Manufacturing Expertise with Sales and Marketing Strength

In April 2001, Toyota Industries absorbed the industrial equipment sales division of TMC. Following that move, Toyota Industries created a comprehensive entity, TOYOTA Material Handling Company, as a uniquely independent company within the larger company. TOYOTA Material Handling Company assumed all the business of the former Industrial Vehicle Division and Materials Handling System Division as well as the business transferred from TMC. TOYOTA Material Handling Company has its own highly autonomous management and will be evaluated on such criteria as return on assets and cash flows, as well as by levels of sales and operating income. This strategic move will ensure that Toyota Industries remains responsive to changes in customer demand and is thus able to achieve higher sales and earnings in what is an intensively competitive sector.

Tadashi Ishikawa
President

The Next Step – Medium-Term Strategy for Growth

Toyota Industries' management is keenly aware of the importance of planning for medium- and long-term growth. In mid-May 2001, we launched our medium-term strategy for growth, which targets consolidated sales of more than ¥1 trillion and income before income taxes of ¥80 billion by March 2006. Key elements of the plan are outlined below.

Securing Global Leadership in the Materials Handling Equipment and Car Air-Conditioning Compressor Fields

Toyota Industries is determined to achieve global leadership among manufacturers of forklift trucks and other industrial equipment. Steps already taken to achieve that goal include the acquisition of BT Industries and the transfer of TMC's industrial equipment sales division to our company.

Before the acquisitions, sales activities directed at end-users were mainly the domain of the Textile Machinery Segment. Accompanying the consolidation of manufacturing and sales operations within the Materials Handling Equipment Segment, we must now assume full-fledged sales and marketing activities for a much broader product range. BT Industries has a wealth of direct sales experience and we intend to draw on that know-how. In particular, we are eager to adopt more widely BT Industries' solution-proposal sales technique.

In addition to enhanced marketing, we expect that our acquisition of BT Industries will bring other benefits of synergy. We have started to supply counterbalanced forklift trucks to BT Industries on an OEM basis. We are also distributing BT Industries' hand pallet trucks on an OEM basis in Japan. These exchanges will be broadened to include other products.

We intend to introduce our manufacturing technique, the Toyota Production System (TPS), to BT Industries, to purchase components jointly with them, and to promote the exchange of technology. Toyota Industries and BT Industries will adopt a global perspective, for example in monitoring changes in demand, in order to maximize customer satisfaction.

To maintain our leading international position in the car air-conditioning compressor manufacturing field, we established TD Deutsche Klimakompressor GmbH ("TDDK") as a joint venture with DENSO Corporation. In April 2000, TDDK began operations at its factory in Sachsen, Germany. We now manufacture car air-conditioning compressors in Japan, the U.S. and Europe. This tri-polar system allows us to stay close to customers, meet their needs more precisely and reduce exchange rate risks.

The proportion of cars in Europe fitted with air-conditioning is expected to rise and we aim to make the most of that opportunity. We shall also seek to increase sales in the North American market.

In summary, the Materials Handling Equipment Segment and the car air-conditioning compressor business are core operations, and we shall devote the necessary resources to them to ensure their success on a global basis.

Further Cost Reduction and Enhanced Manufacturing Quality in the Vehicle and Engine Businesses

The vehicle (automobile assembly) and engine businesses provide stable revenues for our Automobile Segment. In the medium term, we aim to improve cost management and so maintain profitability in these fields.

Our vehicle business, one of the manufacturing bases of the Toyota Group's compact cars, strives constantly to enhance the attractiveness of TOYOTA-brand cars by further improving product quality and cost efficiency, making proposals for the design and launch of new compact and other cars and improving production technology.

In the engine business, we work constantly to enhance the environment-friendly features of our engines without compromising their performance, and to contribute to the improvement in overall performance of TOYOTA-brand cars.

Our vehicle and engine businesses are dedicated mainly to production for TMC. Our production is therefore dependent on TMC's production and ordering plans. We seek to strengthen our sales link to TMC through ceaseless quality enhancement and cost-down activities. Our goal is that TMC will entrust us with the assembly of, and employ our engines in, a wider range of models.

We are also strengthening our research and development capabilities to play a more active part in product development for TOYOTA vehicles and engines.

In our vehicle and engine businesses, we aim to secure stable profits and cash flows through an efficient production system.

Successful LCD Operations – the Core of Our Electronics Business

We intend that our electronics operations, which are now comparatively small, will play an important part in our future growth and will serve to diversify our business. The opportunities in this field are enormous. In April 1999, ST-LCD, the core of our electronics operations, began the manufacture of poly-Si TFT LCDs, products that have considerable growth potential.

As a result of using the TPS, ST-LCD's quality levels and production volume have improved rapidly and output is close to maximum capacity, as forecast in our business plan.

In the fall of 2001, ST-LCD will begin a ¥75 billion capital investment program for additional production facilities in order to meet rising demand expected for digital camera, mobile phone, and personal digital assistant (PDA) parts. ST-LCD's new facilities, due to start operations in June 2002, will double production capacity. We envisage ST-LCD as one of our core businesses and intend to distribute management resources accordingly.

Harnessing the Power of Information Technology

Making the most of the remarkable advances in IT is a key part of our medium-term plan. The Internet, PCs, mobile communications and so on are already having a huge influence on corporate activity, and this influence will continue to grow rapidly. Utilizing IT, we are overhauling our traditional way of doing business to achieve speedier management processes, reduction in fixed costs and increased customer satisfaction. To date, improvement is most manifest in shorter product development lead times and enhanced productivity among non-manufacturing divisions.

Over the next three years, we will invest ¥20.5 billion in IT on a non-consolidated base. We will make a thorough review of our business processes and, at the same time, upgrade the key systems for accounting, procurement, and production management. We will also install three-dimensional CAD systems in our development departments to achieve improved productivity company-wide.

To Our Shareholders

Creating an Inter-Divisional Value Chain

Throughout our long history, we have constantly pushed forward with technological innovation, explored new markets, and achieved substantial growth for each of our businesses. Toyota Industries has become a conglomerate with a number of divisions, each of which possesses core technologies and markets. By transcending the divisional boundaries, we are taking advantage of these assets to develop technologies which will be the basis for the next generation of business sectors, markets, and products. This inter-divisional value chain, when implemented efficiently, will enhance the value of the company as a whole and offer great opportunities for expanded business operations.

Maximizing Shareholder Value

The basic goal of Toyota Industries is to make profits and thus enhance shareholder value. To this end, we will pursue our short- and medium-term strategies consistently and vigorously.

Effective August 1, 2001, we changed the minimum trading unit of our shares from 1,000 to 100 in order to promote more active trading of our shares, particularly among individual investors.

We are also enthusiastically promoting environmental and community activities to fulfill our responsibilities as a good corporate citizen.

Since its founding, Toyota Industries has always sought to act on its corporate principles, such as contributing to local communities, undertaking extensive research and development, and serving its shareholders and customers wholeheartedly.

In November 2001, we celebrate our 75th anniversary. As noted above, in August 2001 we changed our company name in English to Toyota Industries Corporation. In part, this change is designed to refresh our spirits and remind us of our core aims.

Toyota Industries will seek to serve all its stakeholders, including shareholders, customers, employees, suppliers, and local communities. We hope that this annual report helps our stakeholders to understand more fully our current activities, financial status, and future prospects. In all our future endeavors, we respectfully request your continued support.

August 1, 2001

Akira Yokoi
Chairman

Tadashi Ishikawa

Tadashi Ishikawa
President

Note: U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥123.90 = US$1, the exchange rate on March 30, 2001.