FOCUS 3

Passion for Cutting-Edge Technologies

—Car Air-Conditioning Compressor Business—

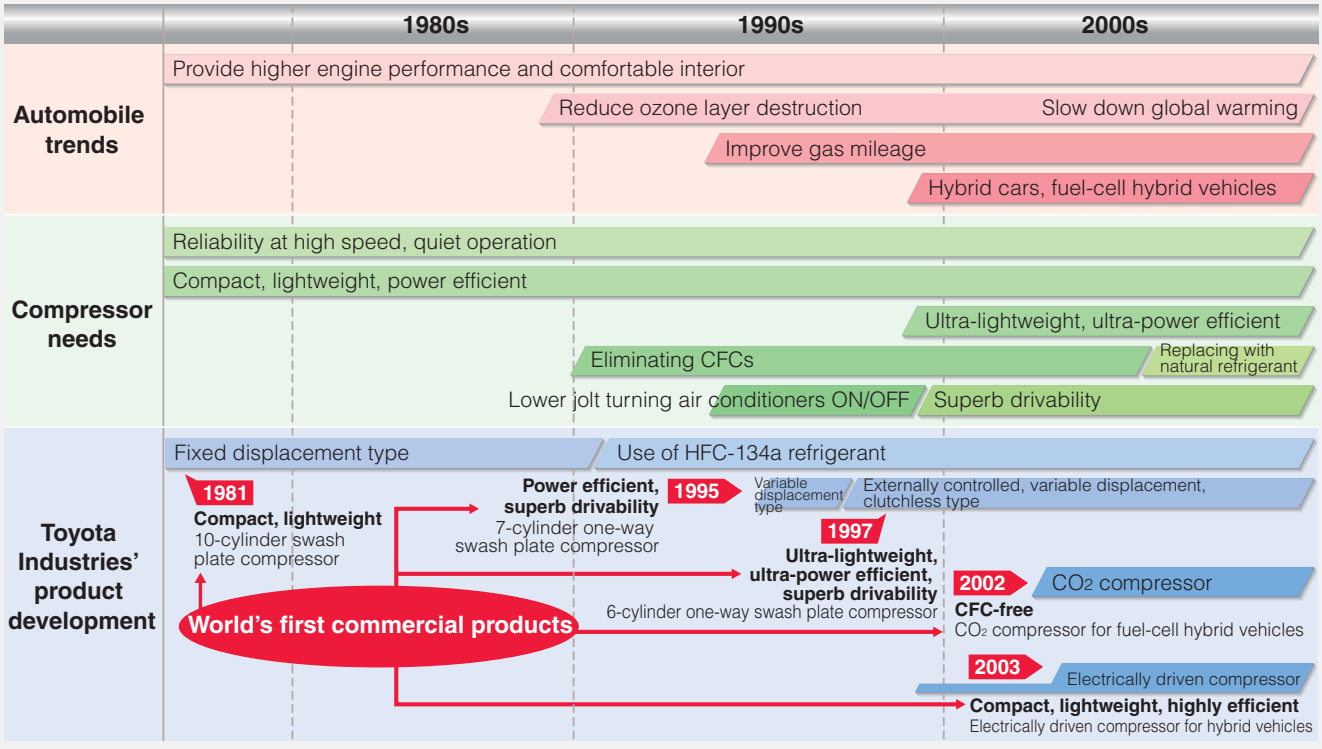
Our Car Air-Conditioning Compressor Business is the core business of the Automobile Segment as well as one of the crucial strategic businesses of Toyota Industries. Capitalizing on our outstanding technologies, we develop and manufacture high-quality, efficient products tailored to customer needs. Along the way, we have contributed to improvements in the comfort and technological advances of vehicles manufactured by the world's leading automakers.

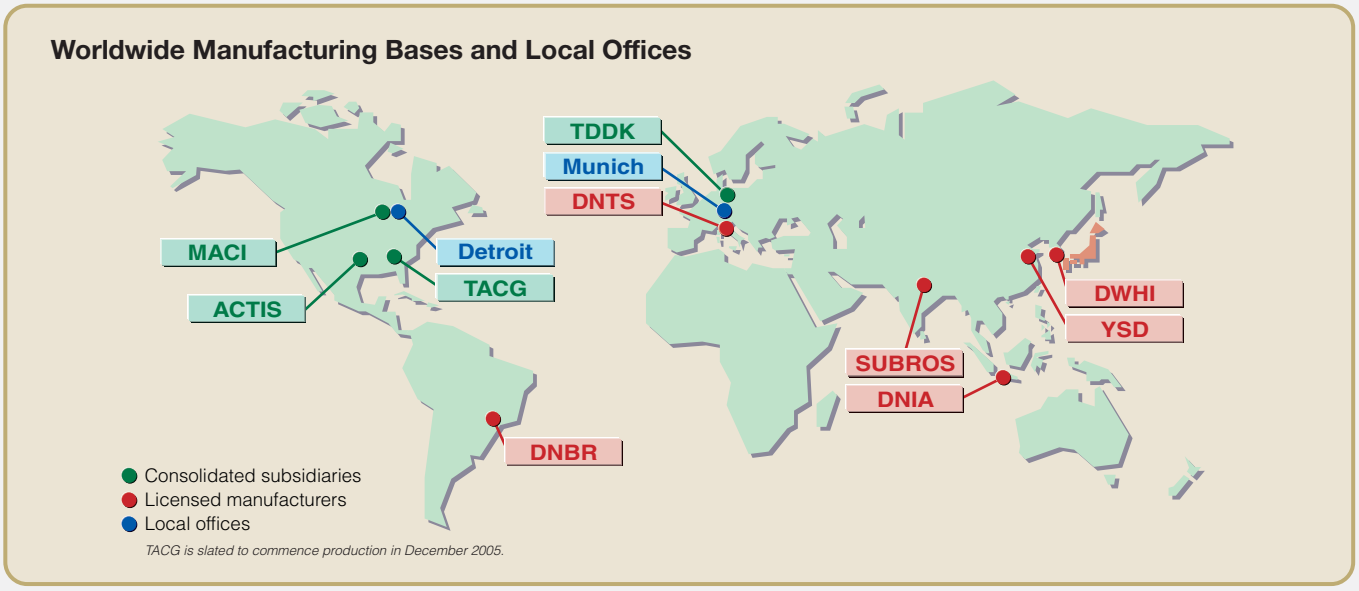
Outstanding Technology Development Capabilities

Toyota Industries' car air-conditioning compressors have won wide acclaim for outstanding quality and reliability not only from Toyota Motor Corporation ("TMC") but also from leading automakers worldwide. Drawing on strong technological capabilities, Toyota Industries' Car Air-Conditioning Compressor Business has firmly established its technological strengths.

Our Car Air-Conditioning Compressor Business has created epoch-making new products that consistently anticipate evolving market needs, thereby making meaningful contributions to technological innovation among automakers. As prime examples, in the 1980s we developed a compact, lightweight 10-cylinder compressor with swash plate and fixed displacement that provides outstanding reliability at high operating speeds. In the 1990s, we responded to mounting concerns about the environment with the development of an internally controlled compressor with one-way swash plate and continuous variable displacement that increases fuel efficiency by reducing the load on the engine. In the late 1990s, we unveiled an externally controlled, clutchless-type compressor with one-way swash plate and continuous variable displacement. This compressor enhances smooth continuous operation and improves energy consumption by sensing changes in the external environment, such as engine acceleration. To tackle such environmental problems as destruction of the ozone layer and global warming, in 2002 Toyota Industries, in collaboration with DENSO Corporation ("DENSO"), developed a compressor for fuel-cell hybrid vehicles that uses CO_2 as a refrigerant instead of hydrofluorocarbon (HFC). Also in collaboration with DENSO, in 2003 we developed an electrically driven car air-conditioning

Automobile Trends and Toyota Industries' Product Development





compressor for hybrid cars and a two-way compressor with a built-in motor for hybrid cars. This two-way compressor is driven alternately by the engine during driving and by a built-in motor during engine stop, achieving a balance between fuel efficiency and comfort when the car air-conditioner is turned on. These revolutionary compressors were developed and commercialized ahead of competitors, and present clear evidence of Toyota Industries' technological and competitive strengths.

Strong Global Presence

Reflecting our outstanding technological capabilities, Toyota Industries' total global production and sales of car air-conditioning compressors in fiscal 2004 amounted to 17.9 million units, giving us the top share of the world market.

Toyota Industries has globalized its production bases and built a tri-polar production network with bases in all the three principal automobile markets — Europe, the United States and Japan. We augment this structure by licensing production in Asia (excluding Japan) and South America. Undertaking production close to our markets allows us to offer products accurately matched to local needs, while giving us such benefits as lower shipment costs and exchange rate risks. We have also been steadily increasing local procurement rates for our U.S. and European production bases. We are committed to raising these rates even further in the future.

Toyota Industries plans to produce 20 million car air-conditioning compressors in fiscal 2006 in response to expected increases in demand. In accordance with this plan, we are reinforcing production capacities at our bases in Japan, North America and Europe.

In Japan — our largest production base — we completed construction of, and began operations at, the Higashiura Plant in 2002, and finished renovation of the Obu Plant in April 2004. As a result, we have established an efficient three-plant integrated production structure covering materials to processing and assembly. These three plants are the Obu Plant, which produces aluminum die casts for compressors, the Higashiura Plant, which processes compressor pistons, and the Kariya Plant, which

The Obu Plant produces aluminum die casts for compressors.

The Higashiura Plant processes compressor pistons

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MACI, our U.S. production base in Parma, Michigan

TDDK, our European production base in Straßgräbchen, Germany

develops and assembles compressors. Having built this production structure, we are now firmly positioned to respond to growing future demand for car air-conditioning compressors.

In fiscal 2004, Michigan Automotive Compressor, Inc. ("MACI")*, our U.S. production base, produced and sold over 6.5 million swash plate compressors with fixed displacement.

Our European production base, TD Deutsche Klimakompressor GmbH ("TDDK")*, produced approximately 1.5 million swash plate compressors with variable displacement.

** MACI and TDDK are joint ventures with DENSO. As of March 31, 2004, Toyota Industries held 60% and 65%, respectively, of the shares of these companies.*

In fiscal 2004, Toyota Industries was the market leader in Japan, with sales of approximately 5.3 million car air-conditioning compressors to TMC and other major car manufacturers. In North America, Toyota Industries supplied U.S. automakers and Japanese auto manufacturers producing in North America with 6.9 million units (including exports from Japan and local production), of mainly fixed displacement compressors. In Europe, Toyota Industries supplied over 5.6 million units (including exports from Japan and local production), such as variable displacement compressors for luxury cars and compact variable displacement compressors for small cars.

Toward the Future

Our medium-term strategy emphasizes aggressively expanding sales, particularly in North America and Europe, where we foresee huge potential. In North America, we will redouble efforts to secure new orders. As part of these efforts, in July 2004 Toyota Industries and DENSO jointly established TD Automotive Compressor Georgia, LLC ("TACG")* near Atlanta, Georgia. Our second compressor production base in North America, TACG was established to meet the local procurement needs of automakers in the growing North American market.

Up to the present, fixed displacement compressors have been the compressor of choice in North America. However, amid rising environmental awareness, Toyota Industries projects that variable displacement compressors, with their excellent energy efficiency, will experience growth in demand as in Europe and Japan. To respond to this anticipated rise in demand, we decided to establish TACG as a plant specializing in variable displacement compressors in the southern United States, where automakers have been actively setting up operations. TACG is slated to produce 2 million compressors annually by 2010.

Toyota Industries and DENSO will press forward with the localization of production — manufacturing variable displacement compressors at the new company and fixed displacement compressors at MACI — and will work to build a supply structure that responds quickly to customer needs, with the aim of further expanding business in the North American market.

** TACG is capitalized at US$100 million. Toyota Industries North America, Inc. (a holding company controlling Toyota Industries' North American operations) invested 65% of this capital and DENSO International America (a company controlling DENSO's North American operations) invested 35%. Production is scheduled to commence in December 2005.*

In Europe, the proportion of cars fitted with car air-conditioners has risen to around 70%, and we anticipate this will climb further. Toyota Industries plans to aggressively cultivate new customers by developing and supplying products closely customized to the needs of the European market, such as highly efficient compact variable displacement compressors.

At the end of April 2004, cumulative production of car air-conditioning compressors by Toyota Industries in Japan, Europe and North America reached 200 million units. Although it took approximately 36 years for cumulative production to reach 100 million units in July 1996, the figure then soared to 200 million units in a mere eight years. Mere volume, however, is not our goal. We will further augment our technology development capabilities. We will develop and market new products responsive to customer needs ahead of competitors. These measures, we believe, will in turn enable us to solidify our position in the car air-conditioning compressor market.

All our car air-conditioning compressors are supplied to DENSO, which in turn sells them to leading automakers worldwide. DENSO not only sells our compressors as separate units but also incorporates them in its car air-conditioning systems.