

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is based on information known to management as of November 30, 2007. It includes forward-looking statements concerning the expected future performance of Toyota Industries. Please refer to "Cautionary Statement with Respect to Forward-Looking Statements" at the beginning of this semiannual report, which pertains to the report as a whole.

Results of Operations

During the first half of fiscal 2008 (the six months ended September 30, 2007), the Japanese economy continued on a steady path to recovery as private-sector capital investment continued to increase amid solid corporate earnings. Consumer spending also picked up momentum on the back of improved employment conditions. Overseas, despite signs of deceleration in the U.S. economy, the overall economic outlook remained positive, with the European economy remaining solidly on track and the economies in China and India sustaining a high level of growth.

In this operating environment, Toyota Industries posted total consolidated net sales of ¥955.7 billion, an increase of ¥42.7 billion, or 5%, compared with the first half of fiscal 2007 (the six months ended September 30, 2006).

At the profits level, ordinary income amounted to ¥63.2 billion, an increase of ¥9.8 billion, or 18%, over the first half of fiscal 2007. Despite the effects of a rise in raw materials prices, as well as increases in depreciation and personnel expenses, this increase was largely achieved due to an increase in net sales worldwide, cost improvement efforts throughout the Group, favorable effects of exchange rate fluctuations and an increase in dividends income. Net income amounted to ¥40.3 billion, an increase of ¥10.1 billion, or 33%, over the first half of fiscal 2007.

The following is a review of operations for the major business segments.

Note: Net sales for each business segment do not include intersegment transactions.

Automobile

Net sales of the Automobile Segment totaled ¥458.9 billion, an increase of ¥27.9 billion, or 6%, over the first half of fiscal 2007, while operating income rose ¥5.1 billion, or 37%, to ¥18.8 billion. Within this segment, net sales of the Vehicle Business totaled ¥228.2 billion, an increase of ¥5.9 billion, or 3%, over the first half of fiscal 2007. This was attributable to an increase in sales of the RAV4 and a contribution made by the Mark X ZiO, for which production commenced in September 2007, offsetting a decrease in sales of the Vitz (Yaris overseas) in Japan.

Net sales of the Engine Business totaled ¥85.0 billion, an increase of ¥4.9 billion, or 6%, over the first half of fiscal 2007. This increase was due largely to an increase in sales of KD diesel

engines for Toyota Motor Corporation's Innovative International Multi-Purpose Vehicle (IMV) Project.

Net sales of the Car Air-Conditioning Compressor Business totaled ¥128.7 billion, an increase of ¥15.6 billion, or 14%, over the first half of fiscal 2007. A slight decrease in sales in Japan was offset by an increase in sales overseas.

Materials Handling Equipment

Net sales of the Materials Handling Equipment Segment totaled ¥377.3 billion, a decrease of ¥10.9 billion, or 3%, from the first half of fiscal 2007. Operating income decreased ¥0.8 billion, or 4%, to ¥21.9 billion. Excluding the effects of changes in certain subsidiaries' fiscal year-end during the first half of fiscal 2007, however, net sales and operating income increased ¥51.7 billion, or 16%, and ¥1.0 billion, or 5%, respectively. With regards to lift trucks, both the TOYOTA and BT brands posted increases in total unit sales backed by the robust European market. We also strove to enhance our sales network. Meanwhile, sales of aerial work platforms were strong, bolstered by replacement demand from the electricity and telecommunications industries.

Logistics

Net sales of the Logistics Segment totaled ¥57.9 billion, an increase of ¥18.1 billion, or 45%, over the first half of fiscal 2007. Operating income jumped ¥1.4 billion, or 259%, to ¥1.9 billion. In May 2007, we raised our equity stake in Wanbishi Archives Co., Ltd., which provides total information management services, to 100%, making it a wholly owned subsidiary.

Textile Machinery

Net sales of the Textile Machinery Segment totaled ¥30.7 billion, an increase of ¥3.3 billion, or 12%, from the first half of fiscal 2007, whereas operating income rose ¥0.8 billion, or 144%, to ¥1.3 billion. This increase was attributable mainly to continued strong sales of weaving machinery to China.

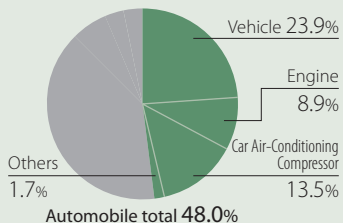
Others

Net sales of the Others Segment totaled ¥30.7 billion, an increase of ¥4.4 billion, or 16%, from the first half of fiscal 2007. Operating income increased ¥0.4 billion, or 15%, to ¥2.6 billion.

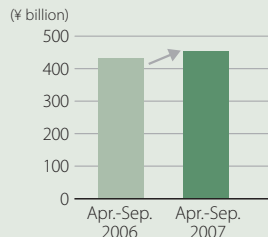
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Automobile Segment

Percentage of Net Sales



Net Sales



2KD Diesel engine



7SEU17 Compressor



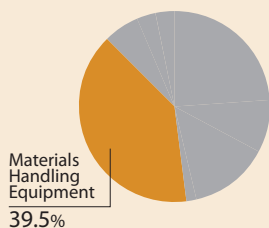
DC-DC converter



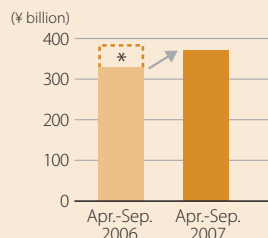
RAV4

Materials Handling Equipment Segment

Percentage of Net Sales



Net Sales



* Effects of changes in subsidiaries' fiscal year-end



GENE0
(8FG25 overseas, Toner0 in Europe)
Internal combustion counterbalanced lift truck



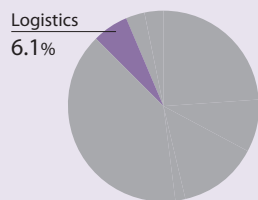
Reflex
Reach truck



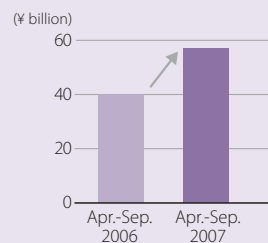
TZ-10A type "RR"
Truck mount aerial work platform

Logistics Segment

Percentage of Net Sales

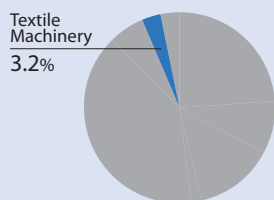


Net Sales

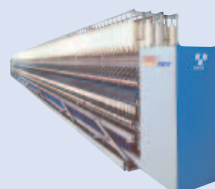
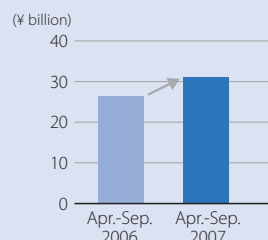


Textile Machinery Segment

Percentage of Net Sales



Net Sales



RX240NEW
Ring spinning frame



JAT710
Air-jet loom

A review of operations by geographical segments follows.

Note: Net sales for each geographical segment do not include intersegment transactions.

Japan

Net sales amounted to ¥634.3 billion, an increase of ¥55.2 billion, or 10%, over the first half of fiscal 2007. Operating income amounted to ¥39.6 billion, an increase of ¥9.5 billion, or 32%. The increases in net sales and operating income were due mainly to higher unit sales of car air-conditioning compressors as well as making Wanbishi Archives a wholly owned subsidiary.

North America

Net sales amounted to ¥139.1 billion, a decrease of ¥15.6 billion, or 10%, from the first half of fiscal 2007. Operating income totaled ¥3.2 billion, a decrease of ¥1.0 billion, or 23%. The decrease in net sales was due primarily to a change in the fiscal year-end of certain subsidiaries.

Europe

Net sales amounted to ¥151.8 billion, a decrease of ¥5.9 billion, or 4%, from the first half of fiscal 2007. Operating income was ¥3.1 billion, a decrease of ¥0.9 billion, or 22%. The decrease in net sales was attributable mainly to a change in the fiscal year-end of certain subsidiaries.

Others

Net sales totaled ¥30.3 billion, an increase of ¥9.0 billion, or 42%, over the first half of fiscal 2007. Operating income amounted to ¥2.3 billion, an increase of ¥0.9 billion, or 64%.

Cash Flows

Cash flows from operating activities increased ¥86.8 billion during the first half of fiscal 2008, due mainly to income before income taxes in the amount of ¥69.1 billion. Net cash provided by operating activities thus increased by ¥2.0 billion from ¥84.8 billion in the first half of fiscal 2007. Cash flows from investing activities resulted in a decrease in cash of ¥103.3 billion during the first half of fiscal 2008, attributable primarily to payments for purchases of property, plant and equipment totaling ¥73.6 billion. Net cash used in investing activities increased ¥5.9 billion from ¥97.4 billion in the first half of fiscal 2007. Cash flows from financing activities resulted in an increase in cash of ¥42.4 billion during the first half of fiscal 2008, due mainly to an increase in proceeds from long-term loans in the amount of ¥40.7 billion. Net cash provided by financing activities totaled ¥60.8 billion compared with net cash used in financing activities of ¥18.4 billion in the first half of fiscal 2007. After translation

adjustments, cash and cash equivalents as of September 30, 2007 stood at ¥134.8 billion, an increase of ¥52.2 billion, or 63%, over the first half of fiscal 2007.

Dividend Policy

The Company regards the benefits of shareholders as one of its most important management policies. Based on this stance, we will strive to strengthen Toyota Industries' management platform, promote proactive business development and raise its corporate value.

The Company's dividend policy is to meet the expectations of shareholders while giving full consideration to business performance, capital demand, the dividend payout ratio on a consolidated basis and other factors. The Company intends to use retained earnings to improve the competitiveness of its products, augment production capacity in Japan and overseas, as well as expand into new fields of business and strengthen its management platform in securing future profits for its shareholders. It will also use retained earnings to repurchase treasury stock.

The Board of Directors of the Company voted to distribute an interim cash dividend of ¥28.0 per share, an increase of ¥6.0 per share over the first half of fiscal 2007.

Forecast for the Fiscal Year Ending March 31, 2008

Toyota Industries expects the global economy to continue expanding. Uncertainties persist, however, regarding fluctuations in oil prices and the direction of the global economy, including the U.S. economy.

We are determined to heighten the comprehensive capabilities of the Toyota Industries Group through the development of appealing new products matched to customer needs with an unwavering emphasis on quality, as well as the enhancement of sales, service and cost-reduction activities.

For fiscal 2008, ending March 31, 2008, Toyota Industries forecasts consolidated net sales of ¥2,000.0 billion, operating income of ¥95.0 billion, ordinary income of ¥120.0 billion and net income of ¥70.0 billion. We have made upward revisions to previous forecasts in consideration of business results during the first half of fiscal 2008 as well as increases in unit sales and a review of the projected exchange rate.

Our projections are based on an exchange rate of ¥115.0 = US\$1 and ¥159.0 = 1 euro.