

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, 2005. 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. All numbers are unaudited.

Results of Operations

Net Sales

During the six months ended September 30, 2005 (the "term"), the Japanese economy achieved a mild recovery, reflecting growth in private-sector capital investment spurred by improved corporate earnings as well as a pickup in consumer spending. Overseas, the overall economy moved onto a recovery track, as the U.S. economy continued its expansion and the European economy strengthened further, while in Asia the Chinese economy maintained a high growth rate.

Amid this operating environment, Toyota Industries posted interim consolidated net sales of ¥699.0 billion, an increase of ¥92.0 billion, or 15%, compared with the six months ended September 30, 2004 (the "previous term"). At the profit level, despite price increases for raw materials and rises in depreciation and personnel expenses, Toyota Industries recorded an increase in ordinary income of ¥2.7 billion, or 7%, over the previous term to ¥41.6 billion. This increase was achieved due largely to an increase in net sales, the promotion of Group-wide cost-reduction activities and growth in non-operating income. Interim net income amounted to ¥25.0 billion, an increase of ¥1.1 billion, or 4%, from the previous term.

Business results by geographical segment were as follows.

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

Japan

Net sales amounted to ¥461.9 billion, an increase of ¥63.4 billion, or 16%, over the previous term. Operating income totaled ¥24.5 billion, a decrease of ¥0.5 billion, or 2%. The increase in net sales was due mainly to higher unit sales of vehicles and materials handling equipment. Operating income decreased as a result of increases in prices for raw materials and higher depreciation and personnel expenses.

North America

Net sales totaled ¥119.5 billion, an increase of ¥14.0 billion, or 13%, over the previous term. Operating income was ¥4.1 billion, an increase of ¥0.3 billion, or 9%. These increases were due to higher unit sales by materials handling equipment-manufacturing subsidiaries.

Europe

Net sales amounted to ¥102.2 billion, an increase of ¥12.1 billion, or 13%, over the previous term. Operating income totaled ¥3.1 billion, an increase of ¥0.6 billion, or 25%. These increases reflected higher unit sales by materials handling equipment-manufacturing subsidiaries.

Others

Net sales totaled ¥15.5 billion, an increase of ¥2.5 billion, or 20%, over the previous term. Operating income was ¥0.6 billion, an increase of ¥0.7 billion over the previous term.

Note: Please refer to "Letter to Shareholders" for results by business segment.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for the term totaled ¥586.8 billion, an increase of ¥80.9 billion, or 16.0%, over the previous term.

Selling, general and administrative expenses totaled ¥80.2 billion, an increase of ¥9.2 billion, or 12.9%, over the previous term.

Non-Operating Income and Expenses

Non-operating income was ¥21.8 billion, an increase of ¥2.9 billion, or 15.3%, over the previous term. This increase resulted mainly from an increase in dividends from Toyota Motor Corporation (TMC).

Non-operating expenses increased ¥2.2 billion, or 21.4%, to ¥12.3 billion.

Income Taxes

Net of current and deferred income taxes for the term totaled ¥14.0 billion, an increase of ¥1.8 billion, or 14.5%, over the previous term.

Minority Interests in Consolidated Subsidiaries

Minority interests in consolidated subsidiaries increased ¥0.3 billion, or 11.2% over the previous term, to ¥2.5 billion, reflecting the increase in net income of consolidated subsidiaries.

Net Income

Net income for the term was ¥25.0 billion, an increase of ¥1.1 billion, or 4.4%, over the previous term. Net income per share (EPS) was ¥78.41, compared with ¥75.31 for the previous term, and diluted net income per share was ¥78.38, compared with ¥75.28 for the previous term.

Financial Position

Total assets at the end of the term stood at ¥2,682.7 billion, an increase of ¥355.8 billion, or 15.3%, over the previous fiscal year ended March 31, 2005 ("fiscal 2005").

Current assets were ¥438.7 billion, a decrease of ¥24.3 billion, or 5.2%, from fiscal 2005, due mainly to a decrease in cash and cash equivalents.

Net property, plant and equipment was ¥496.8 billion, an increase of ¥39.8 billion, or 8.7%, over fiscal 2005. Intangible assets decreased ¥8.8 billion, or 7.5%, to ¥108.1 billion, due to a decrease in goodwill.

Investments and other assets increased ¥349.2 billion, or 27.1%, to ¥1,639.0 billion. This increase was primarily the result of a rise in the market prices of shares of Toyota Group companies, including TMC, held by Toyota Industries.

Current liabilities stood at ¥419.7 billion, a decrease of ¥1.9 billion, or 0.4%, over fiscal 2005.

Long-term liabilities were ¥893.0 billion, an increase of ¥144.4 billion, or 19.3%, over fiscal 2005. Deferred tax liabilities increased ¥129.7 billion as a result of the increase in the market value of investment securities.

Minority interests in consolidated subsidiaries increased ¥2.9 billion, or 7.2%, over fiscal 2005 to ¥43.8 billion.

Shareholders' equity stood at ¥1,326.1 billion, an increase of ¥210.4 billion, or 18.9%, over fiscal 2005. Net unrealized gains on other securities increased ¥197.6 billion.

The ratio of shareholders' equity to total assets was 49.4%.

Cash Flows

Cash flows from operating activities increased ¥58.8 billion during the term, due mainly to income before income taxes and minority interests of ¥41.6 billion. Net cash provided by operating activities increased ¥13.6 billion from ¥45.2 billion in the previous term. Cash flows from investing activities resulted in a ¥114.8 billion decrease in cash during the term, due mainly to ¥95.5 billion in payments for purchases of property, plant and equipment. Net cash used in investing activities increased

¥59.8 billion from ¥55.0 billion in the previous term. Cash flows from financing activities resulted in a ¥30.2 billion increase, due primarily to an increase in commercial paper of ¥52.3 billion. Net cash provided by financing activities increased ¥20.8 billion from ¥9.4 billion in the previous term. After translation adjustments, cash and cash equivalents as of September 30, 2005 amounted to ¥73.8 billion, a decrease of ¥3.0 billion, or 4%, from the end of the first half of fiscal 2005.

Dividend Policy

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

The Company's dividend policy aims 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 corporate constitution in order to secure 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 ¥18.0 per share, an increase of ¥5.0 per share over fiscal 2005.