Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying interim consolidated financial statements have been prepared based on the accounts maintained by Toyota Industries Corporation (the "Company") and its consolidated subsidiaries (together, hereinafter referred to as "Toyota Industries") in accordance with the provisions set forth in the Corporate Law of Japan and the Financial Instruments and Exchange Law, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the interim consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥115.43=US$1, the rate of exchange prevailing at September 30, 2007, has been used in translation. The inclusion of such amounts are not intended to imply that the Japanese yen actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars at this rate or any other rates.

2. Summary of significant accounting policies

(1) Consolidation

The interim consolidated financial statements include the accounts of the Company and its 165 subsidiaries (46 domestic subsidiaries and 119 overseas subsidiaries, of which major subsidiaries are listed on pages 24 and 25) as of September 30, 2007 and 159 subsidiaries (45 domestic subsidiaries and 114 overseas subsidiaries) as of September 30, 2006.

For the six-month period ended September 30, 2007, two subsidiaries were newly added to the scope of consolidation and two companies were excluded from the scope of consolidation because of liquidation and sale. Additionally, eight subsidiaries were newly added to the scope of consolidation and five companies were excluded from the scope of consolidation because of mergers and acquisitions.

For the six-month period ended September 30, 2006, seven subsidiaries were newly added to the scope of consolidation and one company was excluded from the scope of consolidation because of mergers and acquisitions.

Some of the affiliates are not accounted for under the equity method since their net income/losses, retained earnings and other financial amounts are immaterial.

The interim periods of certain subsidiaries are different from the interim period of the Company. Since the difference is not more than three months, the Company is using those subsidiaries' statements for their interim periods, making adjustments for significant transactions that materially affect the financial position or results of operations.

The interim periods of certain unconsolidated subsidiaries and affiliates acounted for by the equity method are different from the interim periods of the Company. The Company is using the financial statements of the unconsolidated subsidiaries and affiliates acounted for by the equity method for thier respective interim periods.

All significant intercompany transactions, balances and unrealized profits within Toyota Industries have been eliminated.

A full portion of the assets and liabilities of the acquired subsidiaries is stated at fair value as of the date of acquisition of control.

In the six-month period ended September 30, 2006, Toyota Industries Sweden AB and its consolidated subsidiaries decided to change their fiscal year-end from December 31 to March 31. As a result, the Company's consolidated financial statements include nine months of their operating results.

In May 2007, Toyota Industries Sweden AB changed the company name to Toyota Industries Europe AB.

(2) Investments in unconsolidated subsidiaries and affiliates

Investments in 17 affiliates as of September 30, 2007 and investments in 21 affiliates as of September 30, 2006 are accounted for by the equity method of accounting.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost due to their insignificant effect on the consolidated financial statements.

The major affiliates accounted for by the equity method are listed on page 25.

(3) Translation of foreign currencies

Foreign currency denominated receivables and payables are translated into Japanese yen at the exchange rates as of September 30, 2007 and 2006, and the resulting transaction gains or losses are included in the consolidated statements of income.

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the exchange rates as of September 30, 2007 and 2006, and all revenue and expense accounts are translated at prevailing average rates for the interim periods.

(4) Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

Notes to Consolidated Financial Statements

(5) Marketable securities and investments in securities

Toyota Industries classifies securities into four categories by purpose of holding: trading securities, held-to-maturity securities, other securities and investments in unconsolidated subsidiaries and affiliates. Toyota Industries did not have trading securities or held-to-maturity securities as of September 30, 2007 and 2006.

Other securities with readily determinable fair values are stated at fair value based on market prices at the end of the interim periods. Unrealized gains and losses are included in "Net unrealized gains on other securities" as a separate component of net assets. Cost of sales of such securities is determined by the moving-average method. Other securities without readily determinable fair values are stated at cost, as determined by the moving-average method.

Investments in unconsolidated subsidiaries and affiliates are accounted for by the equity method (see Note 2 (2)).

(6) Inventories

Inventories are stated mainly at cost determined by the moving-average method.

(7) Property, plant and equipment, and depreciation

Property, plant and equipment are stated at cost. Depreciation expenses of property, plant and equipment are computed mainly by the declining-balance method for the Company and Japanese subsidiaries and by the straight-line method for overseas subsidiaries.

Significant renewals and additions are capitalized at cost. Repair and maintenance are charged to income as incurred.

Accumulated depreciation as of September 30, 2007 and 2006 was ¥693,312 million (US$6,006,342 thousand) and ¥620,382 million, respectively.

Effective from the fiscal year beginning April 1, 2007, Toyota Industries changed the depreciation method for property, plant and equipment acquired on or after April 1, 2007 in accordance with the revised Corporate Tax Law of Japan. As a result, operating income decreased ¥821 million (US$7,117 thousand), and ordinary income and income before income taxes decreased ¥822 million (US$7,125 thousand), respectively. As for property, plant and equipment acquired before April 1, 2007, Toyota Industries applied the pre-revised depreciation method during the fiscal year beginning April 1, 2007. Among these, property, plant and equipment for which the allowable limit on the depreciable amount has been reached are to be depreciated evenly over five years beginning from the following fiscal year. As a result, operating income decreased ¥899 million (US$7,796 thousand), and ordinary income and income before income taxes decreased ¥900 million (US$7,797 thousand), respectively.

(8) Intangible assets and amortization

Amortization of intangible assets is computed using the straight-line method. Software costs for internal use are amortized by the straight-line method over their expected useful lives (mainly five years).

Goodwill, if material, is amortized principally over less than 20 years on a straight-line basis, while immaterial goodwill is charged to income as incurred.

(9) Impairment of fixed assets

Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projection of the grouping of assets and recoverable value, with due consideration for the specific conditions of each company. The recoverable amount of assets is calculated based on net selling price.

(10) Allowance for doubtful accounts

Toyota Industries adopted the policy of providing an allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying to the remaining accounts a percentage determined by certain factors such as historical collection experiences.

(11) Deferred charges

Stock issuance costs and bond issuance costs are expensed as incurred.

(12) Allowance for bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are recorded on the accrual basis with a related charge of income.

(13) Allowance for retirement benefits

Toyota Industries accrues an amount which is considered to be incurred in the period based on the estimated projected benefit obligations and estimated pension assets at the end of the period. To provide for the retirement benefits for directors and corporate auditors, an amount which is calculated at the end of the period as required by an internal rule describing the retirement benefits for directors and corporate auditors is accrued.

(14) Lease transactions

Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are accounted for mainly by a method similar to that applicable to ordinary operating leases.

(15) Consumption tax

The consumption tax under the Japanese Consumption Tax Law withheld by Toyota Industries on sales of goods is not included in the amount of net sales in the accompanying consolidated statements of income, and the consumption tax paid by Toyota Industries under the law on purchases of goods and services, and expenses is not included in the related amount.

(16) Hedge accounting

(a) Method of hedge accounting

Mainly the deferral method of hedge accounting is applied. In the case of foreign currency forward contracts and foreign currency option contracts, the hedged items are translated at contracted forward rates if certain conditions are met.

(b) Hedging instruments and hedged items

Hedging instruments:

Derivatives instruments (interest rate swaps, foreign currency forwards and foreign currency option contracts)

Hedged items:

Risk of change in interest rate on borrowings and risk of change in forward exchange rate on transactions denominated in foreign currencies (assets and liabilities, and forecasted transactions)

(c) Hedging policy

Hedging transactions are executed and controlled based on Toyota Industries' internal rule and Toyota Industries is hedging interest rate risks and foreign currency risks. Toyota Industries' hedging activities are reported periodically to a director responsible for accounting.

(d) Method used to measure hedge effectiveness

Hedge effectiveness is measured by comparing accumulated changes in market prices of hedged items and hedging instruments or accumulated changes in estimated cash flows from the inception of the hedge to the date of measurements performed. Currently it is considered that there are high correlations between them.

(e) Others

Due to the fact that counterparties to Toyota Industries represent major financial institutions which have high creditworthiness, Toyota Industries believes that the overall credit risk related to its financial instruments is insignificant.

3. Assets pledged as collateral

(1) Assets pledged as collateral as of September 30, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Investments in securities	**¥54,695**	¥52,265	**$473,837**
Property, plant and equipment	**925**	2,365	**8,017**
Inventories	**413**	–	**3,578**
Buildings and structures	**378**	1,318	**3,283**
Machinery, equipment and vehicles	**–**	1,356	**–**
Total	**¥56,412**	¥57,305	**$488,715**

(2) Secured liabilities as of September 30, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Other current liabilities	**¥22,351**	¥21,433	**$193,639**
Short-term bank loans	**512**	856	**4,437**
Long-term debt	**49**	710	**426**
Total	**¥22,913**	¥23,000	**$198,503**

4. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of September 30, 2007 and 2006 as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Guarantees given by the Company	**¥5,600**	¥4,200	**$48,514**
Guarantees given by consolidated subsidiaries	**408**	620	**3,537**
Guarantee forwards given by the Company	**437**	508	**3,791**

5. Leases

(1) Finance leases (as a lessee) which do not transfer ownership of leased properties to lessees

(a) Pro forma information regarding the leased properties such as acquisition cost and accumulated depreciation, which are not reflected in the accompanying consolidated balance sheets under finance leases as of September 30, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Buildings and structures:			
Acquisition cost equivalents	**¥ 276**	¥ –	**$ 2,395**
Accumulated depreciation equivalents	**101**	–	**878**
Buildings and structures net balance equivalents	**175**	–	**1,517**
Machinery and equipment:			
Acquisition cost equivalents	**16,747**	14,956	**145,090**
Accumulated depreciation equivalents	**8,118**	7,982	**70,329**
Machinery and equipment net balance equivalents	**8,629**	6,974	**74,761**
Others:			
Acquisition cost equivalents	**14,462**	13,300	**125,295**
Accumulated depreciation equivalents	**6,643**	6,205	**57,557**
Others net balance equivalents	**7,818**	7,095	**67,738**
Total net leased properties	**¥16,623**	¥14,069	**$144,016**

Acquisition cost equivalents include the imputed interest expense portion because the percentage which is computed by dividing future minimum lease payments by total balance of property, plant and equipment as of September 30, 2007 and 2006 is immaterial.

(b) Pro forma information regarding future minimum lease payments as of September 30, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥ 5,290**	¥ 4,325	**$ 45,835**
Due after one year	**13,061**	9,744	**113,156**
Total	**¥18,352**	¥14,069	**$158,991**

Future minimum lease payments under finance leases include the imputed interest expense portion.

(c) Total lease payments for the six-month periods ended September 30, 2007 and 2006 are as follows:

	Millions of yen	Thousands of U.S. dollars
2007	**¥2,685**	**$23,266**
2006	2,865	–

Pro forma depreciation expenses, which are not reflected in the accompanying interim consolidated statements of income, are computed mainly by the straight-line method, which assumes zero residual value and leasing term to be useful lives for the six-month periods ended September 30, 2007 and 2006, and are equivalent to the amount of total lease payments of the above.

(2) Finance leases (as a lessor) which do not transfer ownership of leased properties to lessees

(a) Information regarding leased properties such as acquisition cost and accumulated depreciation under finance leases as of September 30, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Machinery and equipment:			
Acquisition cost	**¥11,836**	¥8,625	**$102,547**
Accumulated depreciation	**6,953**	4,804	**60,242**
Total net leased property	**¥ 4,883**	¥3,821	**$ 42,305**

(b) Pro forma information regarding future minimum lease income as of September 30, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥2,374**	¥1,069	**$20,568**
Due after one year	**6,160**	3,223	**53,374**
Total	**¥8,535**	¥4,292	**$73,942**

Future minimum lease payments under finance leases include the imputed interest expense portion.

(c) Total lease receipts and depreciation for the six-month periods ended September 30, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Total lease payments to be received	**¥1,575**	¥1,097	**$13,645**
Depreciation expenses	**1,186**	848	**10,275**

(3) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of September 30, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥ 8,159**	¥ 5,417	**$ 70,687**
Due after one year	**39,844**	16,193	**345,186**
Total	**¥48,004**	¥21,611	**$415,874**

(4) Operating leases (as a lessor)

Pro forma information regarding future minimum rentals under operating leases as of September 30, 2007 and 2006 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	**2007**
Due within one year	**¥17,062**	¥13,251	**$147,819**
Due after one year	**22,939**	24,628	**198,729**
Total	**¥40,001**	¥37,880	**$346,547**

6. Marketable securities

(1) As of September 30, 2007

(a) Other securities with readily determinable fair value are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Stocks	**¥227,201**	**¥2,029,977**	**¥1,802,775**	**$1,968,309**	**$17,586,221**	**$15,617,912**
Bonds:						
Other bonds	**405**	**405**	**–**	**3,512**	**3,512**	**–**
Total	**¥227,607**	**¥2,030,382**	**¥1,802,775**	**$1,971,821**	**$17,589,733**	**$15,617,912**

(b) Significant contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) without readily determinable fair value are as follows:

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Other securities:		
Domestic unlisted stocks excluding over-the-counter stocks	**¥17,606**	**$152,533**
Money management funds	**40,135**	**347,706**
Negotiable certificates of deposit	**24,000**	**207,918**

(2) As of September 30, 2006

(a) Other securities with readily determinable fair value are as follows:

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks	¥220,327	¥1,895,562	¥1,675,235
Total	¥220,327	¥1,895,562	¥1,675,235

(b) Significant contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) without readily determinable fair value are as follows:

	Carrying amount
	Millions of yen
Other securities:	
Domestic unlisted stocks excluding over-the-counter stocks	¥18,458
Money management funds	25,021

7. Derivative instruments

Notes relating to derivative instruments are omitted, since Toyota Industries has not used derivative instruments for other than hedging.

8. Segment Information

(1) Business segments

	Millions of yen		Thousands of U.S. dollars
	For the six months ended September 30		For the six months ended September 30
	2007	2006	**2007**
Sales:			
Automobile			
Outside customer sales	**¥458,962**	¥431,024	**$3,976,111**
Intersegment transactions	**11,843**	9,972	**102,604**
	470,806	440,997	**4,078,715**
Materials Handling Equipment			
Outside customer sales	**377,333**	388,270	**3,268,936**
Intersegment transactions	**1,759**	310	**15,245**
	379,093	388,581	**3,284,182**
Logistics			
Outside customer sales	**57,962**	39,898	**502,144**
Intersegment transactions	**3,899**	3,435	**33,778**
	61,861	43,333	**535,922**
Textile Machinery			
Outside customer sales	**30,788**	27,495	**266,727**
Intersegment transactions	**0**	2	**5**
	30,788	27,497	**266,731**
Others			
Outside customer sales	**30,714**	26,396	**266,085**
Intersegment transactions	**11,087**	11,333	**96,058**
	41,802	37,729	**362,142**
Subtotal	**984,351**	938,139	**8,527,692**
Elimination of intersegment transactions	**(28,590)**	(25,054)	**(247,690)**
Total	**¥955,760**	¥913,085	**$8,280,002**
Operating costs and expenses:			
Automobile	**¥451,949**	¥427,234	**$3,915,351**
Materials Handling Equipment	**357,155**	365,782	**3,094,134**
Logistics	**59,880**	42,781	**518,757**
Textile Machinery	**29,429**	26,939	**254,952**
Others	**39,156**	35,431	**339,219**
Elimination of intersegment transactions	**(28,770)**	(25,135)	**(249,244)**
Total	**¥908,800**	¥873,033	**$7,873,170**
Operating income:			
Automobile	**¥ 18,857**	¥ 13,762	**$ 163,363**
Materials Handling Equipment	**21,937**	22,799	**190,048**
Logistics	**1,981**	552	**17,164**
Textile Machinery	**1,359**	557	**11,779**
Others	**2,646**	2,297	**22,923**
Elimination of intersegment transactions	**179**	81	**1,554**
Total	**¥ 46,960**	¥ 40,051	**$ 406,832**

1. Business segments are divided by the type and nature of the product.
2. Main products and services of each segment are as follows:

Automobile........*Passenger vehicles, diesel and gasoline engines, car air-conditioning compressors, foundry parts, electronics parts*
Materials Handling Equipment........*Counterbalanced lift trucks, warehouse trucks, automated storage and retrieval systems, aerial work platforms*
Logistics........*Transportation services, collection and delivery of cash and management of sales proceeds, total information management*
Textile Machinery........*Air-jet looms, water-jet looms, ring spinning frames*
Others........*Semiconductor package substrates*

Notes to Consolidated Financial Statements

(2) Geographical segments

	Millions of yen		Thousands of U.S. dollars
	For the six months ended September 30		For the six months ended September 30
	2007	2006	**2007**
Sales:			
Japan			
Outside customer sales	**¥ 634,339**	¥579,171	**$5,495,449**
Intersegment transactions	**66,240**	58,800	**573,855**
	700,579	637,972	**6,069,304**
North America			
Outside customer sales	**139,198**	154,771	**1,205,909**
Intersegment transactions	**972**	952	**8,428**
	140,170	155,724	**1,214,337**
Europe			
Outside customer sales	**151,838**	157,743	**1,315,413**
Intersegment transactions	**3,310**	3,436	**28,679**
	155,148	161,179	**1,344,092**
Others			
Outside customer sales	**30,384**	21,397	**263,231**
Intersegment transactions	**3,804**	2,341	**32,962**
	34,189	23,739	**296,193**
Subtotal	**1,030,088**	978,615	**8,923,926**
Elimination of intersegment transactions	**(74,328)**	(65,530)	**(643,924)**
Total	**¥ 955,760**	¥913,085	**$8,280,002**
Operating costs and expenses:			
Japan	**¥660,925**	¥607,832	**$5,725,766**
North America	**136,883**	151,459	**1,185,860**
Europe	**151,975**	157,105	**1,316,601**
Others	**31,839**	22,306	**275,830**
Elimination of intersegment transactions	**(72,823)**	(65,670)	**(630,887)**
Total	**¥ 908,800**	¥873,033	**$7,873,170**
Operating income:			
Japan	**¥ 39,654**	¥ 30,139	**$ 343,538**
North America	**3,287**	4,265	**28,477**
Europe	**3,173**	4,073	**27,491**
Others	**2,350**	1,433	**20,362**
Elimination of intersegment transactions	**(1,504)**	140	**(13,037)**
Total	**¥ 46,960**	¥ 40,051	**$ 406,832**

1. Geographical segments are divided into categories based on their geographical proximity.
2. Significant countries or areas belonging to each segment are as follows:

North America.......U.S.A., Canada
Europe.......Sweden, Germany, France
Others.......Australia, China, Brazil