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 Commercial Code of Japan and the Securities 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 ¥113.19 = US$1, the rate of exchange prevailing at September 30, 2005, 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 149 subsidiaries (43 domestic subsidiaries and 106 overseas subsidiaries, which are listed on pages 24 and 25) as of September 30, 2005 and 142 subsidiaries (41 domestic subsidiaries and 101 overseas subsidiaries) as of September 30, 2004.

For the six-month period ended September 30, 2005, four subsidiaries were newly added to the scope of consolidation and one company was excluded from the scope of consolidation because of merger and acquisition.

For the six-month period ended September 30, 2004, four subsidiaries were newly added to the scope of consolidation and two companies were excluded from the scope of consolidation because of merger and acquisition.

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.

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.

(2) Investments in unconsolidated subsidiaries and affiliates

Investments in 21 affiliates as of September 30, 2005 and investments in one unconsolidated subsidiary and 19 affiliates as of September 30, 2004 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 year-end exchange rates and the resulting transaction gains or losses are included in income statements.

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates and all revenue and expense accounts are translated at prevailing fiscal average rates.

(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.

(5) Marketable securities and investment 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, 2005 and 2004.

Other securities with readily determinable fair values are stated at fair value based on market prices at the end of the year. Unrealized gains and losses are included in "Net unrealized gains on other securities" as a separate component of shareholders' equity. 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, 2005 and 2004 was ¥561,736 million (US$4,962,771 thousand) and ¥527,408 million, 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 loss 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 condition of each company. The recoverable amount of assets is calculated based on net selling price.

(10) Allowances 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 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.

(13) 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.

(14) 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.

(15) 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.

(16) Appropriation of retained earnings

In the accompanying consolidated statements of shareholders' equity, the approved amount during the relevant fiscal year is reflected for the appropriation of retained earnings of consolidated subsidiaries. In Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings through an appropriation, instead of being charged to income for the year.

3. Assets pledged as collateral

(1) Assets pledged as collateral as of September 30, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Investments in securities	**¥41,655**	¥35,860	**$368,009**
Land	**2,840**	7,461	**25,091**
Buildings and structures	**2,133**	4,678	**18,844**
Trade notes and accounts receivable	**467**	365	**4,126**
Machinery, equipment and vehicles	**438**	651	**3,870**
Other	**–**	233	**–**
Total	**¥47,533**	¥49,248	**$419,940**

(2) Secured liabilities as of September 30, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Other current liabilities	**¥20,707**	¥19,795	**$182,940**
Short-term bank loans	**390**	4,879	**3,446**
Long-term debt	**1,195**	2,395	**10,557**
Current portion of bonds	**–**	300	**–**
Total	**¥22,292**	¥27,369	**$196,943**

4. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of September 30, 2005 and 2004 as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Guarantees given by the Company	**¥ 400**	¥ –	**$ 3,534**
Guarantees given by consolidated subsidiaries	**845**	9,417	**7,465**
Guarantee forwards given by the Company	**2,759**	3,149	**24,375**

5. Impairment loss of fixed assets

			Millions of yen		Thousands of U.S. dollars
Region	Items	Details of fixed assets	2005	2004	2005
Hyogo	One idle property	Building	¥ –	¥ 28	$ –
		Land	–	338	–
Kagawa	One idle property	Land	–	48	–
Total			¥ –	¥414	$ –

6. 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, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Buildings and structures:			
Acquisition cost equivalents	¥ –	¥ 5	$ –
Accumulated depreciation equivalents	–	5	–
Buildings and structures net balance equivalents	–	0	–
Machinery and equipment:			
Acquisition cost equivalents	13,313	9,495	117,617
Accumulated depreciation equivalents	6,548	4,693	57,850
Machinery and equipment net balance equivalents	6,765	4,802	59,767
Others:			
Acquisition cost equivalents	11,823	4,895	104,452
Accumulated depreciation equivalents	6,122	3,213	54,086
Others net balance equivalents	5,701	1,682	50,366
Total net leased properties	¥12,466	¥6,484	$110,133

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 at interim period ends is immaterial.

(b) Pro forma information regarding future minimum lease payments as of September 30, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥ 3,986	¥1,559	$ 35,215
Due after 1 year	8,744	4,925	77,251
Total	¥12,730	¥6,484	$112,466

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, 2005 and 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
2005	¥2,345	$20,717
2004	1,493	–

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, 2005 and 2004, 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, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Machinery and equipment:			
Acquisition cost	¥9,256	¥8,288	$81,774
Accumulated depreciation	5,069	4,643	44,783
Total net leased properties	¥4,187	¥3,645	$36,991

(b) Pro forma information regarding future minimum lease income as of September 30, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥1,756	¥1,831	$15,514
Due after 1 year	3,213	2,584	28,386
Total	¥4,969	¥4,415	$43,900

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, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Total lease payments to be received	¥1,227	¥1,177	$10,840
Depreciation expenses	901	827	7,960

(3) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of September 30, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥ 4,835	¥ 3,190	$ 42,716
Due after 1 year	16,359	12,936	144,527
Total	¥21,194	¥16,126	$187,243

(4) Operating leases (as a lessor)

Pro forma information regarding future minimum rentals under operating leases as of September 30, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥ 8,457	¥ 4,510	$ 74,715
Due after 1 year	14,770	8,510	130,489
Total	¥23,227	¥13,020	$205,204

7. Marketable securities

(1) As of September 30, 2005

(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	**¥211,010**	**¥1,524,647**	**¥1,313,637**	**$1,864,211**	**$13,469,803**	**$11,605,592**
Bonds						
Government and municipal bonds, etc.	**0**	**0**	**–**	**0**	**0**	**–**
Total	**¥211,010**	**¥1,524,647**	**¥1,313,637**	**$1,864,211**	**$13,469,803**	**$11,605,592**

(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	**¥18,897**	**$166,949**
Money management funds	**10,000**	**88,347**

(2) As of September 30, 2004

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

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks	¥187,422	¥1,184,676	¥997,254
Bonds			
Government and municipal bonds, etc.	0	0	–
Other bonds	1	1	–
Total	¥187,423	¥1,184,677	¥997,254

(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	¥26,492
Money management funds	20,020

8. Derivative instruments

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

9. 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
	2005	2004	**2005**
Sales:			
Automobile			
Outside customer sales	**¥337,752**	¥308,667	**$2,983,939**
Intersegment transactions	**10,195**	8,814	**90,070**
	347,947	317,481	**3,074,009**
Materials handling equipment			
Outside customer sales	**281,598**	239,910	**2,487,835**
Intersegment transactions	**137**	64	**1,210**
	281,735	239,974	**2,489,045**
Logistics			
Outside customer sales	**30,616**	–	**270,483**
Intersegment transactions	**2,786**	–	**24,614**
	33,402	–	**295,097**
Textile machinery			
Outside customer sales	**24,094**	22,273	**212,863**
Intersegment transactions	**11**	10	**97**
	24,105	22,283	**212,960**
Others			
Outside customer sales	**24,968**	36,214	**220,585**
Intersegment transactions	**8,824**	9,684	**77,957**
	33,792	45,898	**298,542**
Subtotal	**720,981**	625,636	**6,369,653**
Elimination of intersegment transactions	**(21,953)**	(18,572)	**(193,948)**
Total	**¥699,028**	¥607,064	**$6,175,705**
Operating costs and expenses:			
Automobile	**¥336,528**	¥302,291	**$2,973,125**
Materials handling equipment	**263,416**	227,932	**2,327,202**
Logistics	**32,874**	–	**290,432**
Textile machinery	**23,914**	22,424	**211,273**
Others	**31,674**	42,559	**279,831**
Elimination of intersegment transactions	**(21,429)**	(18,241)	**(189,319)**
Total	**¥666,977**	¥576,965	**$5,892,544**
Operating income (loss):			
Automobile	**¥ 11,419**	¥ 15,190	**$ 100,884**
Materials handling equipment	**18,319**	12,042	**161,843**
Logistics	**528**	–	**4,665**
Textile machinery	**191**	(141)	**1,687**
Others	**2,118**	3,339	**18,711**
Elimination of intersegment transactions	**(524)**	(331)	**(4,629)**
Total	**¥ 32,051**	¥ 30,099	**$ 283,161**

Main products of each segment are as follows:

Automobile.. Passenger vehicles, diesel and gasoline engines, car air-conditioning compressors
Materials handling equipment .... Counterbalanced lift trucks, warehouse equipment, automated storage and retrieval systems, aerial work platforms
Logistics.. Transportation services, logistics planning, operation of distribution centers, collection and delivery of cash and management of sales proceeds
Textile machinery.............................. Ring spinning frames, air-jet looms, water-jet looms
Others... Semiconductor package substrates

Changes in business segments

The logistics-related business, which was included in the Others Segment until the previous fiscal year, has been separated and declared independently as the Logistics Segment starting from this fiscal year. Sales of the Logistics Segment for the six months ended September 30, 2004 were ¥17,540 million, and an operating loss of ¥75 million was recorded.

(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
	2005	2004	2005
Sales:			
Japan			
Outside customer sales	¥461,877	¥398,524	$4,080,546
Intersegment transactions	53,537	48,300	472,983
	515,414	446,824	4,553,529
North America			
Outside customer sales	119,484	105,517	1,055,606
Intersegment transactions	743	467	6,564
	120,227	105,984	1,062,170
Europe			
Outside customer sales	102,181	90,067	902,739
Intersegment transactions	4,184	3,619	36,964
	106,365	93,686	939,703
Others			
Outside customer sales	15,486	12,956	136,814
Intersegment transactions	1,750	1,390	15,461
	17,236	14,346	152,275
Subtotal	759,242	660,840	6,707,677
Elimination of intersegment transactions	(60,214)	(53,776)	(531,972)
Total	¥699,028	¥607,064	$6,175,705
Operating costs and expenses:			
Japan	¥490,894	¥421,829	$4,336,903
North America	116,134	102,216	1,026,009
Europe	103,236	91,173	912,059
Others	16,631	14,410	146,930
Elimination of intersegment transactions	(59,918)	(52,663)	(529,357)
Total	¥666,977	¥576,965	$5,892,544
Operating income (loss):			
Japan	¥ 24,520	¥ 24,995	$ 216,626
North America	4,093	3,768	36,161
Europe	3,129	2,513	27,644
Others	605	(64)	5,345
Elimination of intersegment transactions	(296)	(1,113)	(2,615)
Total	¥ 32,051	¥ 30,099	$ 283,161

Significant countries belonging to each segment are as follows:

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

10. Subsequent event

On November 21, 2005, the Company issued bonds without collateral in the principle amount of ¥50.0 billion. The Company intends to use the proceeds from the bond issue for the redemption of matured corporate bonds as well as for capital investment.

14th series of bonds without collateral

Total amount of issue	¥20.0 billion
Maturity date	December 20, 2010
Interest rate	1.01%

15th series of bonds without collateral

Total amount of issue	¥30.0 billion
Maturity date	September 18, 2015
Interest rate	1.66%