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 and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Accounting 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 ¥111.05=US$1, the approximate rate of exchange prevailing at September 30, 2004, 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 142 subsidiaries (41 domestic subsidiaries and 101 overseas subsidiaries, which are listed on pages 24 and 25) as of September 30, 2004 and 132 subsidiaries (39 domestic subsidiaries and 93 overseas subsidiaries) as of September 30, 2003. The unconsolidated subsidiaries are excluded from consolidation because such subsidiaries would have no material effect on the consolidated financial statements of Toyota Industries, or Toyota Industries' owning a majority of such subsidiaries' shares is temporary.

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 the consolidation because of merger and acquisition.
For the six-month period ended September 30, 2003, 14 subsidiaries were newly added to the scope of consolidation. One unconsolidated subsidiary is excluded from the scope of consolidation because majority ownership of this subsidiary is temporary.

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 one unconsolidated subsidiary and 19 affiliates as of September 30, 2004 and investments in one unconsolidated subsidiary and 18 affiliates as of September 30, 2003 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) 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.

(4) 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, 2004 and 2003.

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)).

(5) Inventories

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

(6) 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 foreign subsidiaries.

Significant renewals and additions are capitalized at cost. Repair and maintenance are charged to income as incurred. Accumulated depreciation as of September 30, 2004 and 2003 was ¥527,408 million (US$4,749,284 thousand) and ¥498,227 million, respectively.

(7) 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.

(8) Impairment on fixed assets

Toyota Industries applied Accounting Standards for Impairment on Fixed Assets (Opinions Concerning Establishment of Accounting Standards for Impairment of Fixed Assets) issued on August 9, 2002 by the Business Accounting Council in Japan, and the application guideline for Accounting Standards for Impairment of Fixed Assets (the Financial Accounting Standard Implementation Guideline No. 6 issued on October 31, 2003), to the consolidated financial statements for fiscal 2005, as early adoption of such standards and guidelines, which shall be effective for fiscal years beginning on and after April 1, 2005, is permitted for the consolidated accounting for the fiscal year ending March 31, 2005.

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.

(9) 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.

(10) Deferred charges

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

(11) Allowance for retirement benefits

Toyota Industries accrues an amount which is considered to be incurred in the period based on the estimated 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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 period.

3. Assets pledged as collateral

(1) Assets pledged as collateral as of September 30, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Investments in securities	**¥35,860**	¥29,804	**$322,918**
Property, plant and equipment	**12,139**	12,099	**109,311**
Machinery, equipment and vehicles	**651**	560	**5,862**
Trade notes and accounts receivable	**365**	211	**3,287**
Cash and cash equivalents	**233**	439	**2,098**
Total	**¥49,248**	¥43,113	**$443,476**

(2) Secured liabilities as of September 30, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Other current liabilities	**¥19,795**	¥19,209	**$178,253**
Short-term bank loans	**4,879**	8,159	**43,935**
Long-term debt	**2,395**	2,249	**21,567**
Current portion of bonds	**300**	–	**2,702**
Bonds	**–**	300	**–**
Total	**¥27,369**	¥29,917	**$246,457**

4. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of September 30, 2004 and 2003 as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Guarantees given by the Company	**¥ –**	¥25,500	**$ –**
Guarantees given by consolidated subsidiaries	**9,417**	9,086	**84,800**
Guarantee forwards given by the Company	**3,149**	3,479	**28,357**

5. Impairment loss of fixed assets

			Millions of yen	Thousands of U.S. dollars
Region	Items	Details of Fixed assets	**2004**	**2004**
Hyogo	One idle property	Building	**¥ 28**	**$ 252**
		Land	**338**	**3,044**
Kagawa	One idle property	Land	**48**	**432**
Total			**¥414**	**$3,728**

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, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Buildings and structures:			
Acquisition cost equivalents	¥ 5	¥ –	$ 45
Accumulated depreciation equivalents	5	–	45
Buildings and structures interim period end balance equivalents	0	–	0
Machinery and equipment:			
Acquisition cost equivalents	9,495	9,347	85,502
Accumulated depreciation equivalents	4,693	4,184	42,260
Machinery and equipment interim period end balance equivalents	4,802	5,163	43,242
Others:			
Acquisition cost equivalents	4,895	5,910	44,079
Accumulated depreciation equivalents	3,213	3,299	28,933
Others interim period end balance equivalents	1,682	2,611	15,146
Total net leased properties	¥6,484	¥7,774	$58,388

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, etc., at interim period ends is immaterial.

(b) Pro forma information regarding future minimum lease payments as of September 30, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Due within 1 year	¥1,559	¥2,644	$14,039
Due after 1 year	4,925	5,130	44,349
Total	¥6,484	¥7,774	$58,388

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, 2004 and 2003 are as follows:

	Millions of yen	Thousands of U.S. dollars
2004	¥1,493	$13,444
2003	1,536	13,807

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, 2004 and 2003, 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, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Machinery and equipment:			
Acquisition cost	**¥8,288**	¥7,550	**$74,633**
Accumulated depreciation	**4,643**	4,561	**41,810**
Total net leased properties	**¥3,645**	¥2,989	**$32,823**

(b) Pro forma information regarding future minimum lease income as of September 30, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Due within 1 year	**¥1,831**	¥1,899	**$16,488**
Due after 1 year	**2,584**	2,686	**23,269**
Total	**¥4,415**	¥4,585	**$39,757**

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, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Total lease payments to be received	**¥1,177**	¥1,087	**$10,599**
Depreciation expenses	**827**	846	**7,447**

(3) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of September 30, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Due within 1 year	**¥ 3,190**	¥ 3,050	**$ 28,726**
Due after 1 year	**12,936**	14,322	**116,488**
Total	**¥16,126**	¥17,372	**$145,214**

(4) Operating leases (as a lessor)

Pro forma information regarding future minimum rentals under operating leases as of September 30, 2004 and 2003 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Due within 1 year	**¥ 4,510**	¥ 6,156	**$ 40,612**
Due after 1 year	**8,510**	10,979	**76,632**
Total	**¥13,020**	¥17,135	**$117,244**

7. Marketable securities

(1) As of September 30, 2004

(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	**¥187,422**	**¥1,184,676**	**¥997,254**	**$1,687,726**	**$10,667,951**	**$8,980,225**
Bonds						
Government and municipal bonds, etc.	**0**	**0**	**–**	**0**	**0**	**–**
Other bonds	**1**	**1**	**–**	**9**	**9**	**–**
Total	**¥187,423**	**¥1,184,677**	**¥997,254**	**$1,687,735**	**$10,667,960**	**$8,980,225**

(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:

	Millions of yen	Thousands of U.S. dollars
Held-to-maturity securities	**¥ –**	**$ –**
Other securities:		
Domestic unlisted stocks excluding over-the-counter stocks	**26,492**	**238,559**
Money management funds	**20,020**	**180,279**

(2) As of September 30, 2003

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

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks	¥187,291	¥930,939	¥743,648
Bonds			
Government and municipal bonds, etc.	0	0	–
Other bonds	1	1	–
Total	¥187,292	¥930,940	¥743,648

(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:

	Millions of yen	Thousands of U.S. dollars
Held-to-maturity securities	¥ –	$ –
Other securities:		
Domestic unlisted stocks excluding over-the-counter stocks	17,476	157,088
Money management funds	67	602

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
	2004	2003	**2004**
Sales:			
Automobile			
Outside customer sales	**¥308,667**	¥296,184	**$2,779,533**
Intersegment transactions	**8,814**	7,435	**79,370**
	317,481	303,619	**2,858,903**
Materials handling equipment			
Outside customer sales	**239,910**	216,331	**2,160,378**
Intersegment transactions	**64**	192	**576**
	239,974	216,523	**2,160,954**
Textile machinery			
Outside customer sales	**22,273**	23,824	**200,567**
Intersegment transactions	**10**	7	**90**
	22,283	23,831	**200,657**
Others			
Outside customer sales	**36,214**	33,249	**326,105**
Intersegment transactions	**9,684**	6,803	**87,204**
	45,898	40,052	**413,309**
Subtotal	**625,636**	584,025	**5,633,823**
Elimination of intersegment transactions	**(18,572)**	(14,437)	**(167,240)**
Total	**¥607,064**	¥569,588	**$5,466,583**
Operating costs and expenses:			
Automobile	**¥302,291**	¥288,902	**$2,722,116**
Materials handling equipment	**227,932**	207,671	**2,052,517**
Textile machinery	**22,424**	23,427	**201,927**
Others	**42,559**	36,936	**383,242**
Elimination of intersegment transactions	**(18,241)**	(14,367)	**(164,259)**
Total	**¥576,965**	¥542,569	**$5,195,543**
Operating income (loss):			
Automobile	**¥ 15,190**	¥ 14,717	**$ 136,787**
Materials handling equipment	**12,042**	8,852	**108,437**
Textile machinery	**(141)**	404	**(1,270)**
Others	**3,339**	3,116	**30,067**
Elimination of intersegment transactions	**(331)**	(70)	**(2,981)**
Total	**¥ 30,099**	¥ 27,019	**$ 271,040**

Main products of each segment are as follows:

Automobile .... Passenger vehicles, diesel and gasoline engines, car air-conditioning compressors
Materials handling equipment .... Counterbalanced forklift trucks, warehouse trucks, skid steer loaders, automated storage and retrieval systems, automatic guided vehicles, special-purpose vehicles
Textile machinery .... Ring spinning frames, air-jet looms, water-jet looms
Others .... Ball grid array plastic package substrates for IC chipsets, transportation services

(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
	2004	2003	**2004**
Sales:			
Japan			
Outside customer sales	**¥398,524**	¥383,452	**$3,588,690**
Intersegment transactions	**48,300**	40,706	**434,939**
	446,824	424,158	**4,023,629**
North America			
Outside customer sales	**105,517**	100,333	**950,176**
Intersegment transactions	**467**	569	**4,205**
	105,984	100,902	**954,381**
Europe			
Outside customer sales	**90,067**	81,526	**811,049**
Intersegment transactions	**3,619**	3,031	**32,589**
	93,686	84,557	**843,638**
Others			
Outside customer sales	**12,956**	4,277	**116,668**
Intersegment transactions	**1,390**	736	**12,517**
	14,346	5,013	**129,185**
Subtotal	**660,840**	614,630	**5,950,833**
Elimination of intersegment transactions	**(53,776)**	(45,042)	**(484,250)**
Total	**¥607,064**	¥569,588	**$5,466,583**
Operating costs and expenses:			
Japan	**¥421,829**	¥399,972	**$3,798,550**
North America	**102,216**	97,523	**920,450**
Europe	**91,173**	83,076	**821,009**
Others	**14,410**	4,919	**129,762**
Elimination of intersegment transactions	**(52,663)**	(42,921)	**(474,228)**
Total	**¥576,965**	¥542,569	**$5,195,543**
Operating income (loss):			
Japan	**¥ 24,995**	¥ 24,186	**$ 225,079**
North America	**3,768**	3,379	**33,931**
Europe	**2,513**	1,481	**22,629**
Others	**(64)**	94	**(577)**
Elimination of intersegment transactions	**(1,113)**	(2,121)	**(10,022)**
Total	**¥ 30,099**	¥ 27,019	**$ 271,040**

Significant countries belonging to each segment are as follows:

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