

Notes to Consolidated Financial Statements

1. Basis of presenting interim 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 Japanese Commercial Code 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.

The interim consolidated financial statements are not intended to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥111.25=US\$1, the approximate rate of exchange prevailing at September 30, 2003, has been used in translation. The inclusion of such amounts are not intended to imply that the Japanese yen have been or could be readily converted, realized or settled 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 132 subsidiaries (40 domestic subsidiaries and 92 overseas subsidiaries, which are listed on pages 24 and 25) as of September 30, 2003 and 118 subsidiaries (32 domestic subsidiaries and 86 overseas subsidiaries) as of September 30, 2002. 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, 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.

For the six-month period ended September 30, 2002,

seven subsidiaries were newly added to the scope of consolidation. Two unconsolidated subsidiaries are excluded from the scope of consolidation because majority ownership of those two subsidiaries 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 among 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 18 affiliates as of September 30, 2003 and Investments in two unconsolidated subsidiaries and 18 affiliates as of September 30, 2002 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 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, 2003 and 2002, respectively. Other securities with fair values are stated at fair value based on market prices at interim period end. 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 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) above).

(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, 2003 and 2002 was ¥498,227 million (\$4,478,445 thousand) and ¥462,196 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) 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.

(9) Deferred charges

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

(10) Allowance for retirement benefits

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

(11) 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.

(12) 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 interim consolidated statements of income, and the

consumption tax paid by Toyota Industries under the law on purchases of goods and services, and expenses are not included in the related amount.

(13) Hedge accounting

(a) Method of hedge accounting

Mainly the deferral method of hedge accounting is applied. In 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.

(c) Hedging policy

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

(b) Hedging instruments and hedged items

Hedging

instruments: Derivative instruments (interest rate swaps, foreign currency forwards and foreign currency options)

Hedged items: Risk of change in interest rate on borrowings and risk of change in forward exchange rate on transactions denominated in foreign currencies (monetary assets and liabilities, marketable securities and forecasted transactions)

(d) Method used to measure hedge effectiveness

Hedge effectiveness is measured by comparing accumulated changes in market price 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.

(14) Appropriation of retained earnings

In the accompanying interim 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 the income for the period.

3. Assets pledged as collateral

(1) Assets pledged as collateral as of September 30, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Investments in securities	¥29,804	¥25,080	\$267,901
Property, plant and equipment (other)	12,099	8,874	108,755
Machinery, equipment and vehicles	560	560	5,034
Trade notes and accounts receivable	211	482	1,897
Other	439	42	3,946
Total	¥43,113	¥35,038	\$387,533

(2) Secured liabilities as of September 30, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Other current liabilities	¥19,209	¥18,735	\$172,665
Short-term bank loans	8,159	7,266	73,339
Long-term debt	2,249	5,588	20,216
Bonds	300	300	2,697
Total	¥29,917	¥31,889	\$268,917

4. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of September 30, 2003 and 2002 as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Guarantees given by the Company	¥25,500	¥28,356	\$229,213
Guarantees given by consolidated subsidiaries	9,086	5,923	81,672
Guarantee forwards given by the Company	3,479	3,761	31,272

Guarantees given by consolidated subsidiaries as of September 30, 2003 and 2002 consist of 463,416 thousand of

Swedish krona and 455,290 thousand of Swedish krona, respectively.

5. Leases

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

(a) Pro forma information regarding leased properties such as acquisition cost equivalents and accumulated depreciation equivalents under finance leases as of September 30, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Machinery and equipment:			
Acquisition cost equivalents	¥9,347	¥7,721	\$84,018
Accumulated depreciation equivalents	4,184	2,409	37,609
Machinery and equipment interim period end balance equivalents	5,163	5,312	46,409
Tools, furniture and fixtures:			
Acquisition cost equivalents	5,910	5,410	53,124
Accumulated depreciation equivalents	3,299	2,608	29,654
Tools, furniture and fixtures interim period end balance equivalents	2,611	2,802	23,470
Total net leased properties	¥7,774	¥8,114	\$69,879

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, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within 1 year	¥2,644	¥2,270	\$23,766
Due after 1 year	5,130	5,844	46,113
Total	¥7,774	¥8,114	\$69,879

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, 2003 and 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
2003	¥1,536	\$13,807
2002	1,272	—

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, 2003 and 2002, 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, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Machinery and equipment:			
Acquisition cost	¥7,550	¥7,238	\$67,865
Accumulated depreciation	4,561	4,088	40,998
Total net leased properties	¥2,989	¥3,150	\$26,867

(b) Pro forma information regarding future minimum lease payments as of September 30, 2003 and 2002 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within 1 year	¥1,899	¥1,915	\$17,069
Due after 1 year	2,686	2,709	24,144
Total	¥4,585	¥4,624	\$41,213

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

(c) Total lease receipts for the six-month periods ended September 30, 2003 and 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
2003	¥1,087	\$9,771
2002	1,018	—

(d) Depreciation for the six-month periods ended September 30, 2003 and 2002 are as follows:

	Millions of yen	Thousands of U.S. dollars
2003	¥846	\$7,604
2002	751	—

(3) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of September 30, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within 1 year	¥ 3,050	¥ 2,271	\$ 27,416
Due after 1 year	14,322	8,904	128,737
Total	¥17,372	¥11,175	\$156,153

(4) Operating leases (as a lessor)

Pro forma future minimum rentals under operating leases as of September 30, 2003 and 2002 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Due within 1 year	¥ 6,156	¥ 4,186	\$ 55,335
Due after 1 year	10,979	7,631	98,687
Total	¥17,135	¥11,817	\$154,022

6. Marketable securities

(1) 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

	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Stocks	\$1,683,515	\$8,367,991	\$6,684,476
Bonds			
Government and municipal bonds, etc.	0	0	-
Other bonds	9	9	-
Total	\$1,683,524	\$8,368,000	\$6,684,476

(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 fund	67	602

(2) As of September 30, 2002

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

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks	¥174,418	¥842,825	¥668,407
Bonds			
Government and municipal bonds, etc.	0	0	-
Corporate bonds	7,644	7,640	(4)
Other bonds	3	3	-
Other	470	650	180
Total	¥182,535	¥851,118	¥668,583

(b) Significant contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) not practicable to be stated at fair value as of September 30, 2002 are as follows:

	Millions of yen
Held-to-maturity securities	¥ -
Other securities	
Domestic unlisted stocks excluding over-the-counter stocks	15,137
Money management fund	20,072
Foreign unlisted bonds	-

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	For the six months ended September 30
	2003	2002	2003
Sales:			
Automobile			
Outside customer sales	¥296,184	¥291,218	\$2,662,329
Intersegment transactions	7,435	7,505	66,831
	303,619	298,723	2,729,160
Materials handling equipment			
Outside customer sales	216,331	181,021	1,944,548
Intersegment transactions	192	56	1,726
	216,523	181,077	1,946,274
Textile machinery			
Outside customer sales	23,824	22,801	214,148
Intersegment transactions	7	5	63
	23,831	22,806	214,211
Others			
Outside customer sales	33,249	25,449	298,867
Intersegment transactions	6,803	5,518	61,151
	40,052	30,967	360,018
Subtotal	584,025	533,573	5,249,663
Elimination of intersegment transactions	(14,437)	(13,084)	(129,771)
Total	¥569,588	¥520,489	\$5,119,892
Operating costs and expenses:			
Automobile	¥288,902	¥283,441	\$2,596,872
Materials handling equipment	207,671	173,500	1,866,706
Textile machinery	23,427	22,103	210,580
Others	36,936	29,383	332,009
Elimination of intersegment transactions	(14,367)	(13,152)	(129,142)
Total	¥542,569	¥495,275	\$4,877,025
Operating income (loss):			
Automobile	¥ 14,717	¥ 15,282	\$ 132,288
Materials handling equipment	8,852	7,577	79,568
Textile machinery	404	703	3,631
Others	3,116	1,584	28,009
Elimination of intersegment transactions	(70)	68	(629)
Total	¥ 27,019	¥ 25,214	\$ 242,867

Main products of each segment are as follows:

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

(2) Geographical segments

	Millions of yen		Thousands of U.S. dollars
	For the six months ended September 30	2002	For the six months ended September 30
	2003		2003
Sales:			
Japan			
Outside customer sales	¥383,452	¥356,600	\$3,446,759
Intersegment transactions	40,706	39,074	365,897
	424,158	395,674	3,812,656
North America			
Outside customer sales	100,333	94,762	901,870
Intersegment transactions	569	725	5,115
	100,902	95,487	906,985
Europe			
Outside customer sales	81,526	67,739	732,818
Intersegment transactions	3,031	2,137	27,245
	84,557	69,876	760,063
Others			
Outside customer sales	4,277	1,388	38,445
Intersegment transactions	736	615	6,616
	5,013	2,003	45,061
Subtotal	614,630	563,040	5,524,765
Elimination of intersegment transactions	(45,042)	(42,551)	(404,873)
Total	¥569,588	¥520,489	\$5,119,892
Operating costs and expenses:			
Japan	¥399,972	¥374,084	\$3,595,254
North America	97,523	92,580	876,611
Europe	83,076	69,049	746,751
Others	4,919	2,139	44,216
Elimination of intersegment transactions	(42,921)	(42,577)	(385,807)
Total	¥542,569	¥495,275	\$4,877,025
Operating income (loss):			
Japan	¥ 24,186	¥ 21,590	\$ 217,402
North America	3,379	2,907	30,374
Europe	1,481	827	13,312
Others	94	(136)	845
Elimination of intersegment transactions	(2,121)	26	(19,066)
Total	¥ 27,019	¥ 25,214	\$ 242,867

Significant countries belonging to each segment are as follows:

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