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 ¥122.60 = US$1, the approximate rate of exchange prevailing at September 30, 2002, has been used in translation. The inclusion of such amounts is 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 118 subsidiaries (32 domestic subsidiaries and 86 overseas subsidiaries, which are listed on pages 24 and 25) as of September 30, 2002 and 109 subsidiaries (26 domestic subsidiaries and 83 overseas subsidiaries) as of September 30, 2001. 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 would be temporary.

For the six-month period ended September 30, 2002, seven subsidiaries were newly added to the scope of consolidation, and two unconsolidated subsidiaries are excluded from the scope of consolidation because majority ownership of those two subsidiaries is temporary.

For the six-month period ended September 30, 2001, 12 subsidiaries were newly added to the scope of consolidation and three BT Industries group companies have been excluded from the scope of consolidation. Since five subsidiaries out of 12 subsidiaries were deemed as being acquired by the Company as of the interim period end, they were consolidated only in the balance sheets. 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 two unconsolidated subsidiaries and 18 affiliates as of September 30, 2002 and investments in two unconsolidated subsidiaries and 17 affiliates as of September 30, 2001 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, 2002 and 2001, 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, 2002 and 2001 was ¥462,196 million ($3,769,951 thousand) and ¥434,792 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 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 the 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.

(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)

(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.

(d) The 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, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Investments in securities	**¥25,080**	¥17,467	**$204,568**
Property, plant and equipment (other)	**8,874**	9,727	**72,382**
Machinery, equipment and vehicles	**560**	–	**4,568**
Trade notes and accounts receivable	**482**	200	**3,931**
Cash and bank deposits	**42**	29	**342**
Total	**¥35,038**	¥27,423	**$285,791**

(2) Secured liabilities as of September 30, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Other current liabilities	**¥18,735**	¥17,984	**$152,814**
Short-term loans	**8,930**	11,859	**72,838**
Long-term debt	**3,924**	3,273	**32,007**
Bonds	**300**	300	**2,447**
Total	**¥31,889**	¥33,416	**$260,106**

4. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of September 30, 2002 and 2001 as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Guarantees given by the Company	**¥28,356**	¥ 283	**$231,289**
Guarantees given by consolidated subsidiaries	**5,923**	2,869	**48,312**
Guarantee forwards given by the Company	**3,761**	3,251	**30,677**
Acts similar to guarantees given by consolidated subsidiaries	**–**	14,522	**–**

Guarantees given by consolidated subsidiaries as of September 30, 2002 and 2001 consist of 455,290 thousand of Swedish krona and 250,538 thousand of Swedish krona, respectively. Acts similar to guarantees given by consolidated subsidiaries as of September 30, 2001 consist of 1,268,283 thousand of Swedish krona.

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, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Machinery and equipment:			
Acquisition cost equivalents	¥7,721	¥1,635	$62,977
Accumulated depreciation equivalents	2,409	777	19,649
Machinery and equipment interim period end balance equivalents	5,312	858	43,328
Tools, furniture and fixtures :			
Acquisition cost equivalents	5,410	4,922	44,127
Accumulated depreciation equivalents	2,608	2,222	21,272
Tools, furniture and fixtures interim period end balance equivalents	2,802	2,700	22,855
Total net leased properties	¥8,114	¥3,558	$66,183

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, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within 1 year	¥2,270	¥1,399	$18,516
Due after 1 year	5,844	2,159	47,667
Total	¥8,114	¥3,558	$66,183

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, 2002 and 2001 are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥1,272	$10,375
2001	772	–

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, 2002 and 2001, 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, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Machinery and equipment:			
Acquisition cost	¥7,238	¥7,333	$59,037
Accumulated depreciation	4,088	4,061	33,344
Total net leased properties	¥3,150	¥3,272	$25,693

(b) Pro forma information regarding future minimum lease payments as of September 30, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within 1 year	¥1,915	¥1,893	$15,620
Due after 1 year	2,709	2,681	22,096
Total	¥4,624	¥4,574	$37,716

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, 2002 and 2001 are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥1,018	$8,303
2001	1,210	–

(d) Depreciation for the six-month periods ended September 30, 2002 and 2001 is as follows:

	Millions of yen	Thousands of U.S. dollars
2002	¥751	$6,126
2001	709	–

(3) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of September 30, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within 1 year	¥ 2,271	¥1,803	$18,524
Due after 1 year	8,904	4,973	72,626
Total	¥11,175	¥6,776	$91,150

(4) Operating leases (as a lessor)

Pro forma future minimum rentals under operating leases as of September 30, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within 1 year	¥ 4,186	¥ 3,114	$34,144
Due after 1 year	7,631	7,017	62,243
Total	¥11,817	¥10,131	$96,387

6. Marketable securities

(1) 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**

	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Stocks	**$1,422,659**	**$6,874,592**	**$5,451,933**
Bonds			
Government and municipal bonds, etc.	**0**	**0**	**–**
Corporate bonds	**62,349**	**62,317**	**(32)**
Other bonds	**24**	**24**	**–**
Other	**3,834**	**5,302**	**1,468**
Total	**$1,488,866**	**$6,942,235**	**$5,453,369**

(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	**15,137**	**123,467**
Money management fund	**20,072**	**163,719**
Foreign unlisted bonds	**–**	**–**

(2) As of September 30, 2001

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

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks	¥171,235	¥819,825	¥648,590
Bonds			
Government and municipal bonds, etc.	0	0	–
Corporate bonds	13,211	13,225	14
Other bonds	3	3	–
Other	120	120	–
Total	¥184,569	¥833,173	¥648,604

(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, 2001, are as follows:

	Millions of yen
Held-to-maturity securities	¥ –
Other securities	
Domestic unlisted stocks excluding over-the-counter stocks	12,978
Money management fund	5,924
Foreign unlisted bonds	406

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
	2002	2001	**2002**
Sales:			
Automobile			
Outside customer sales	**¥291,218**	¥266,143	**$2,375,351**
Intersegment transactions	**7,505**	6,637	**61,215**
	298,723	272,780	**2,436,566**
Materials handling equipment			
Outside customer sales	**181,021**	180,526	**1,476,517**
Intersegment transactions	**56**	27	**457**
	181,077	180,553	**1,476,974**
Textile machinery			
Outside customer sales	**22,801**	16,195	**185,979**
Intersegment transactions	**5**	223	**41**
	22,806	16,418	**186,020**
Others			
Outside customer sales	**25,449**	16,101	**207,577**
Intersegment transactions	**5,518**	6,586	**45,008**
	30,967	22,687	**252,585**
Subtotal	**533,573**	492,438	**4,352,145**
Elimination of intersegment transactions	**(13,084)**	(13,473)	**(106,721)**
Total	**¥520,489**	¥478,965	**$4,245,424**
Operating costs and expenses:			
Automobile	**¥283,441**	¥259,236	**$2,311,917**
Materials handling equipment	**173,500**	172,546	**1,415,171**
Textile machinery	**22,103**	16,217	**180,286**
Others	**29,383**	19,847	**239,665**
Elimination of intersegment transactions	**(13,152)**	(13,291)	**(107,276)**
Total	**¥495,275**	¥454,555	**$4,039,763**
Operating income (loss):			
Automobile	**¥ 15,282**	¥ 13,544	**$ 124,649**
Materials handling equipment	**7,577**	8,007	**61,803**
Textile machinery	**703**	201	**5,734**
Others	**1,584**	2,840	**12,920**
Elimination of intersegment transactions	**68**	(182)	**555**
Total	**¥ 25,214**	¥ 24,410	**$ 205,661**

Main products of each segment

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
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		For the six months ended September 30
	2002	2001	**2002**
Sales:			
Japan			
Outside customer sales	**¥356,600**	¥324,118	**$2,908,646**
Intersegment transactions	**39,074**	29,723	**318,711**
	395,674	353,841	**3,227,357**
North America			
Outside customer sales	**94,762**	94,547	**772,936**
Intersegment transactions	**725**	704	**5,914**
	95,487	95,251	**778,850**
Europe			
Outside customer sales	**67,739**	58,506	**552,520**
Intersegment transactions	**2,137**	2,118	**17,431**
	69,876	60,624	**569,951**
Others			
Outside customer sales	**1,388**	1,794	**11,322**
Intersegment transactions	**615**	98	**5,016**
	2,003	1,892	**16,338**
Subtotal	**563,040**	511,608	**4,592,496**
Elimination of intersegment transactions	**(42,551)**	(32,643)	**(347,072)**
Total	**¥520,489**	¥478,965	**$4,245,424**
Operating costs and expenses:			
Japan	**¥374,084**	¥332,783	**$3,051,256**
North America	**92,580**	92,932	**755,139**
Europe	**69,049**	59,450	**563,205**
Others	**2,139**	1,951	**17,447**
Elimination of intersegment transactions	**(42,577)**	(32,561)	**(347,284)**
Total	**¥495,275**	¥454,555	**$4,039,763**
Operating income (loss):			
Japan	**¥ 21,590**	¥ 21,058	**$ 176,101**
North America	**2,907**	2,319	**23,711**
Europe	**827**	1,174	**6,746**
Others	**(136)**	(59)	**(1,109)**
Elimination of intersegment transactions	**26**	(82)	**212**
Total	**¥ 25,214**	¥ 24,410	**$ 205,661**

Significant countries belonging to each segment

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

9. Subsequent event

On December 17, 2002, the Company issued bonds without collateral in the principle amount of ¥80.0 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.

10th series of bonds without collateral

Total amount of issue	¥30 billion
Maturity date	December 20, 2007
Interest rate	0.41%

11th series of bonds without collateral

Total amount of issue	¥50 billion
Maturity date	December 20, 2012
Interest rate	1.13%