Notes to Consolidated Financial Statements

1. Basis of presenting interim consolidated financial statements

On June 28, 2001, the General Meeting of Shareholders of Toyoda Automatic Loom Works, Ltd. approved to change the Company's name effective August 1, 2001 to Toyota Industries Corporation. The accompanying interim consolidated financial statements have been prepared based on the accounts maintained by Toyoda Automatic Loom Works, Ltd. under the new corporate name of 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 ¥119.40 = US$1, the approximate rate of exchange prevailing at September 28, 2001, 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 109 subsidiaries (26 domestic subsidiaries and 83 overseas subsidiaries, which are listed on pages 24 and 25) as of September 30, 2001 and 91 subsidiaries (23 domestic subsidiaries and 68 overseas subsidiaries) as of September 30, 2000. 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, 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.

For the six-month period ended September 30, 2000, 62 subsidiaries, including 59 BT Industries group companies, were newly added to the scope of consolidation. Since 60 subsidiaries out of 62 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 period 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 17 affiliates as of September 30, 2001 and investments in two unconsolidated subsidiaries and 12 affiliates as of September 30, 2000 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 nor held-to-maturity securities as of September 30, 2001 and 2000, respectively. Other securities with fair values are stated at fair value based on market prices at the end of the interim period. 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, under which useful lives and residual values are as prescribed in Japanese Tax Law. Accumulated depreciation as of September 30, 2001 and 2000 was ¥434,792 million ($3,641,474 thousand) and ¥391,499 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).

(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 amount which is considered to be incurred in the period based on the 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, 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 and foreign currency forwards)
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 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.

(14) Goodwill

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. Goodwill incurred before April 1, 2000 has been amortized over five years on a straight-line basis.

(15) 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. Additional information

There is no additional information for the six months ended September 30, 2001.

For the six months ended September 30, 2000

(1) Allowance for retirement and severance benefits for directors and corporate auditors

The Company's retirement and severance benefits for directors and corporate auditors was previously recorded as expenses at the time they were awarded. However, in order to make period earnings more appropriate, from the period ended September 30, 2000, these expenses are accrued based on the directors' retirement benefit rule. Compared to the previous method, operating income and ordinary income decreased by ¥78 million and income before income taxes decreased by ¥2,407 million.

(2) Accounting for retirement benefits

Effective for the period ended September 30, 2000, the new accounting standards for retirement benefits have been applied. As a result, operating income and ordinary income decreased by ¥453 million. Also, the cumulative effect of a change in accounting standards for retirement benefits of ¥19,057 million was charged to income and recorded as an extraordinary loss, and gain on securities contribution to employee retirement benefit trust of ¥15,080 million was charged to income and recorded as an extraordinary gain. Allowance for retirement and severance benefits and unamortized prior service cost are included in allowance for retirement benefits.

(3) Accounting for financial instruments

Effective for the period ended September 30, 2000, the new accounting standards for financial instruments have been applied. As a result, ordinary income and income before income taxes increased by ¥173 million. At the beginning of the period ended September 30, 2000, Toyota Industries reviewed the holding purposes of the securities it owns. As a result, marketable securities expiring within one year were classified under current assets as marketable securities and the others were classified as investment in securities. As a result, marketable securities decreased by ¥394 million and investments in securities increased by the same amount.

(4) Accounting for foreign currency transactions

Effective for the period ended September 30, 2000, the amended accounting standards for foreign currency transactions have been applied. Neither profits nor losses resulted from this change. Effective for the period ended September 30, 2000, foreign currency translation adjustments, which had been listed under assets in the consolidated balance sheets as of March 31, 2000 have been moved to shareholders' equity and included in minority interest in consolidated subsidiaries and foreign currency translation adjustments due to the amendment of Japanese Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

4. Assets pledged as collateral

(1) Assets pledged as collateral as of September 30, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Investments in securities	¥17,467	¥26,249	$146,290
Property, plant and equipment (other)	9,727	7,348	81,465
Machinery, equipment and vehicles	–	631	–
Trade notes and accounts receivable	200	–	1,675
Other	29	–	243
Total	¥27,423	¥34,228	$229,673

(2) Secured liabilities as of September 30, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Other current liabilities	¥17,984	¥17,573	$150,620
Short-term bank loans	11,859	9,167	99,322
Long-term debt	3,273	3,021	27,412
Bonds	300	300	2,512
Total	¥33,416	¥30,061	$279,866

5. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of September 30, 2001 and 2000 as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Guarantees given by the Company	¥ 283	¥ 335	$ 2,370
Guarantees given by consolidated subsidiaries	2,869	–	24,028
Guarantee forwards given by the Company	3,251	2,846	27,228
Guarantee forwards given by consolidated subsidiaries	–	934	–
Acts similar to guarantees given by consolidated subsidiaries	14,522	13,085	121,625

Guarantees given by consolidated subsidiaries as of September 30, 2001 amount to 250,538 thousand Swedish krona, guarantee forwards given by consolidated subsidiaries as of September 30, 2000 amount to 78,266 thousand Swedish krona and acts similar to guarantees given by consolidated subsidiaries as of September 30, 2001 and 2000 amount to 1,268,283 thousand Swedish krona and 1,096,786 thousand Swedish krona, respectively.

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, accumulated depreciation under finance leases as of September 30, 2001 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Machinery and equipment:			
Acquisition cost equivalents	¥1,635	¥2,439	$13,694
Accumulated depreciation equivalents	777	762	6,508
Machinery and equipment interim period end balance equivalents	858	1,677	7,186
Tools, furniture and fixtures:			
Acquisition cost equivalents	4,922	5,223	41,223
Accumulated depreciation equivalents	2,222	2,978	18,610
Tools, furniture and fixtures interim period end balance equivalents	2,700	2,245	22,613
Total net leased properties	¥3,558	¥3,922	$29,799

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 end is immaterial.

(b) Pro forma information regarding future minimum lease payments as of September 30, 2001 and 2000 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Due within 1 year	¥1,399	¥1,353	$11,717
Due after 1 year	2,159	2,569	18,082
Total	¥3,558	¥3,922	$29,799

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, 2001 and 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars
2001	¥772	$6,466
2000	874	–

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, 2001 and 2000, 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 the leased properties such as acquisition cost, accumulated depreciation under finance leases as of September 30, 2001 is as follows:

	Millions of yen	Thousands of U.S. dollars
Machinery and equipment:		
Acquisition cost	¥7,333	$61,415
Accumulated depreciation	4,061	34,011
Total net leased properties	¥3,272	$27,404

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

	Millions of yen	Thousands of U.S. dollars
Due within 1 year	¥1,893	$15,854
Due after 1 year	2,681	22,454
Total	¥4,574	$38,308

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

(c) Total lease payments for the six-month period ended September 30, 2001 is as follows:

	Millions of yen	Thousands of U.S. dollars
2001	¥1,210	$10,134

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

	Millions of yen	Thousands of U.S. dollars
2001	¥709	$5,938

(3) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of September 30, 2001 and 2000 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2001	2000	2001
Due within 1 year	¥1,803	¥785	$15,100
Due after 1 year	4,973	1,284	41,650
Total	¥6,776	¥2,069	$56,750

(4) Operating leases (as a lessor)

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

	Millions of yen	Thousands of U.S. dollars
Due within 1 year	¥ 3,114	$26,080
Due after 1 year	7,017	58,769
Total	¥10,131	$84,849

7. Marketable securities

(1) As of September 30, 2001

(a) Other securities with fair value

	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

	Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference
Stocks	$1,434,129	$6,866,206	$5,432,077
Bonds			
Government and municipal bonds, etc.	0	0	–
Corporate bonds	110,645	110,762	117
Other bonds	25	25	–
Other	1,005	1,005	–
Total	$1,545,804	$6,977,998	$5,432,194

(b) Significant contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) not practicable to fair value as of September 30, 2001, 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	¥12,978	$108,693
Money management fund	5,924	49,615
Foreign unlisted bonds	406	3,400

(2) As of September 30, 2000

(a) Other securities with fair value

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Stocks	¥165,252	¥1,114,681	¥949,429
Bonds			
Government and municipal bonds, etc.	–	–	–
Corporate bonds	9,096	9,063	(33)
Other bonds	3	3	–
Other	121	121	–
Total	¥174,472	¥1,123,868	¥949,396

(b) Significant contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) not practicable to fair value as of September 30, 2000, are as follows:

	Millions of yen
Held-to-maturity securities	–
Other securities	
Domestic unlisted stocks excluding over-the-counter stocks	¥13,004
Bond used in repurchase agreements	7,986
Commercial paper used in repurchase agreements	3,000
Money management fund	942
Foreign unlisted bonds	310

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

(a) Business segments

	Millions of yen		Thousands of U.S. dollars
	For the six months ended September 30		For the six months ended September 30
	2001	2000	2001
Sales:			
Automobile			
Outside customer sales	¥266,143	¥228,789	$2,229,004
Intersegment transactions	6,637	1,912	55,586
	272,780	230,701	2,284,590
Materials Handling Equipment			
Outside customer sales	180,526	82,273	1,511,943
Intersegment transactions	27	–	226
	180,553	82,273	1,512,169
Textile Machinery			
Outside customer sales	16,195	14,399	135,636
Intersegment transactions	223	–	1,868
	16,418	14,399	137,504
Others			
Outside customer sales	16,101	18,769	134,849
Intersegment transactions	6,586	2,104	55,159
	22,687	20,873	190,008
Subtotal	492,438	348,246	4,124,271
Elimination of intersegment transactions	(13,473)	(4,016)	(112,839)
Total	¥478,965	¥344,230	$4,011,432
Operating costs and expenses:			
Automobile	¥259,236	¥216,678	$2,171,156
Materials Handling Equipment	172,546	76,270	1,445,109
Textile Machinery	16,217	14,665	135,821
Others	19,847	18,992	166,222
Elimination of intersegment transactions	(13,291)	(3,860)	(111,315)
Total	¥454,555	¥322,745	$3,806,993
Operating income (loss):			
Automobile	¥ 13,544	¥ 14,023	$ 113,434
Materials Handling Equipment	8,007	6,003	67,060
Textile Machinery	201	(266)	1,683
Others	2,840	1,881	23,786
Elimination of intersegment transactions	(182)	(156)	(1,524)
Total	¥ 24,410	¥ 21,485	$ 204,439

(b) Geographical segments

	Millions of yen		Thousands of U.S. dollars
	For the six months ended September 30		For the six months ended September 30
	2001	2000	2001
Sales:			
Japan			
Outside customer sales	¥324,118	¥287,313	$2,714,556
Intersegment transactions	29,723	13,624	248,936
	353,841	300,937	2,963,492
North America			
Outside customer sales	94,547	47,260	791,851
Intersegment transactions	704	–	5,896
	95,251	47,260	797,747
Europe			
Outside customer sales	58,506	8,875	490,000
Intersegment transactions	2,118	–	17,739
	60,624	8,875	507,739
Others			
Outside customer sales	1,794	782	15,025
Intersegment transactions	98	286	821
	1,892	1,068	15,846
Subtotal	511,608	358,140	4,284,824
Elimination of intersegment transactions	(32,643)	(13,910)	(273,392)
Total	¥478,965	¥344,230	$4,011,432
Operating costs and expenses:			
Japan	¥332,783	¥281,684	$2,787,127
North America	92,932	45,127	778,325
Europe	59,450	8,570	497,906
Others	1,951	1,043	16,340
Elimination of intersegment transactions	(32,561)	(13,679)	(272,705)
Total	¥454,555	¥322,745	$3,806,993
Operating income (loss):			
Japan	¥ 21,058	¥ 19,253	$ 176,365
North America	2,319	2,133	19,422
Europe	1,174	305	9,833
Others	(59)	25	(494)
Elimination of intersegment transactions	(82)	(231)	(687)
Total	¥ 24,410	¥ 21,485	$ 204,439

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

Significant Countries Belonging to Each Segment

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