Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

On June 27, 2001, the Ordinary General Meeting of Shareholders of Toyoda Automatic Loom Works, Ltd. approved to change the company name to Toyota Industries Corporation effective August 1, 2001. The accompanying 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 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 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 ¥133.25 =US$1, the approximate rate of exchange prevailing at March 29, 2002, has been used in translation. The inclusion of such amounts are not intended to imply that the Japanese yen 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 consolidated financial statements include the accounts of the Company and its 111 subsidiaries (26 domestic subsidiaries and 85 overseas subsidiaries, which are listed on page 94 and 95) in 2002, 100 subsidiaries (22 domestic subsidiaries and 78 overseas subsidiaries) in 2001 and 29 subsidiaries (22 domestic subsidiaries and seven overseas subsidiaries) in 2000. The unconsolidated subsidiaries are those which have no material effect on the consolidated financial statements of Toyota Industries, or Toyota Industries' majority ownership of such subsidiaries would be temporary.

For the year ended March 31, 2002, 15 subsidiaries were newly added to the scope of consolidation and four companies were excluded from the scope of consolidation. Since five subsidiaries out of 15 subsidiaries are deemed as being acquired by the Company as of the semiannual period end, the results of operations of the latter half of the year of those subsidiaries are consolidated in the consolidated financial statements. One unconsolidated subsidiary is excluded from the scope of consolidation since ownership is temporary.

For the year ended March 31, 2001, 72 subsidiaries, including 63 BT Industries Group companies, were newly added to the scope of consolidation. Since 64 subsidiaries out of 72 subsidiaries were deemed as being acquired by the Company as of the semiannual period end, the results of operations of the latter half of the year of those subsidiaries are consolidated in the consolidated financial statements. Two unconsolidated subsidiaries are excluded from the scope of consolidation since ownership is temporary.

For the year ended March 31, 2000, as a result of adoption of the new accounting standards, two companies which had been treated as affiliates became consolidated subsidiaries.

The fiscal years of certain subsidiaries are different from the fiscal year of the Company. Since the difference is not more than three months, the Company is using those subsidiaries' statements for those fiscal years, 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 18 major affiliates in 2002, two unconsolidated subsidiaries and 17 major affiliates in 2001 and two affiliates in 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 95.

(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. The resulting translation adjustments are included as a separate component of shareholders' equity from the year ended March 31, 2001. Changes in accounting policies are discussed in Note 3.

(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

Until the year ended March 31, 2000, marketable securities (current) and investment in securities (non-current) with a market quotation on a stock exchange were valued at the lower of moving-average cost or market value. Marketable securities and investment in securities without a market quotation were valued at moving-average cost.

Effective beginning the year ended March 31, 2001, Toyota Industries adopted new accounting standards for financial instruments that include accounting for marketable securities and investment in securities. The new accounting standards require Toyota Industries to classify 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 had no trading securities or held-to-maturity securities as of March 31, 2002 and 2001.

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) above).

(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 foreign subsidiaries. Significant renewals and additions are capitalized at cost. Repair and maintenance are charged to income as incurred.

Accumulated depreciation as of March 31, 2002 and 2001 was ¥447,600 million (US$3,359,099 thousand) and ¥406,843 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. Goodwill incurred before April 1, 2000 has been amortized over five years on a straight-line basis.

(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

Until the year ended March 31, 2000, allowance for retirement benefits was calculated at the present value based on the amount that would be paid if all employees voluntarily retired.

Effective beginning the year ended March 31, 2001, Toyota Industries adopted new accounting standards for retirement benefits for employees. 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 year. To provide for retirement benefits for directors and corporate auditors, an amount which is required at the end of the year by an internal rule describing the retirement benefits for directors is accrued. The change in accounting policy is described in Note 3.

(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, the hedged items are translated at contracted forward rates if certain conditions are met. In the year ended March 31, 2002 , foreign exchange forward contracts and foreign currency option contracts are used for hedging risk of change in foreign exchange rate relating to accounts receivable.

(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 (monetary assets and liabilities, marketable securities 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 year.

(16) Income taxes

Effective beginning the year ended March 31, 2000, tax effect accounting has been adopted. The change in accounting policies is discussed in Note 3.

Provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(17) Net income per share

The computation of basic net income per share is based on the weighted-average number of outstanding shares of common stock. The calculation of diluted net income per share is similar to the calculation of basic net income per share, except that the weighted-average number of shares outstanding includes the additional dilution from potential common stock equivalents such as convertible bonds. Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

3. Changes in accounting policies and adoption of new accounting standards

(1) For the year ended March 31, 2001

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

The Company's retirement and severance benefits for directors and corporate auditors were previously recorded as expenses at the time they were awarded. However, in order to make period earnings more appropriate, beginning the year ended March 31, 2001, these expenses are accrued based on the directors' retirement benefit rule. Compared to the previous method, operating income and ordinary income decreased by ¥196 million and income before income taxes decreased by ¥2,525 million.

(b) Accounting for retirement benefits

Effective beginning the year ended March 31, 2001, the new accounting standards for retirement benefits have been applied. As a result, operating income and ordinary income decreased by ¥1,005 million and income before income taxes decreased by ¥4,982 million. Also, cumulative effect of 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.

(c) Accounting for financial instruments

Effective beginning the year ended March 31, 2001, the new accounting standards for financial instruments have been applied. As a result, ordinary income and income before income taxes increased by ¥359 million. At the beginning of the year ended March 31, 2001, 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 investment in securities increased by the same amount.

(d) Accounting for foreign currency transactions

Effective beginning the year ended March 31, 2001, the amended accounting standards for foreign currency transactions have been applied. Neither profits nor losses resulted from this change. Effective beginning the year ended March 31, 2001, translation adjustments, which had been listed under assets in the consolidated balance sheets as of March 31, 2000, has been shifted under shareholders' equity and included in minority interest in consolidated subsidiaries due to the amendment of Japanese Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(2) For the year ended March 31, 2000

(a) Consolidation and investments in affiliates

Since the year ended March 31, 2000, Toyota Industries has adopted the new accounting standards for preparation of consolidated financial statements. To follow the new standards, Toyota Industries has changed its criteria with regard to the identification of companies to be consolidated from the percentage-of-ownership approach to the effective control approach. Pro forma disclosure of the effect of the retroactive application of the new accounting standards is not required under accounting standards generally accepted in Japan. As a result of the adoption of the new standards, two companies have been newly consolidated because Toyota Industries was deemed to have effective control over those two companies.

(b) Translation of foreign subsidiaries' financial statements

Until the year ended March 31, 1999, revenue and expenses accounts of overseas consolidated subsidiaries had been translated into Japanese yen at year-end rates. From the year ended March 31, 2000, the Company has used annual average rates. This change was made to present the operating results more precisely as the significance of the overseas consolidated subsidiaries had been increasing and their revenue and expenses were incurred throughout the fiscal years.

As a result of this change, net sales increased by ¥10,431 million, ordinary income increased by ¥551 million and income before income taxes increased by ¥198 million for the year ended March 31, 2000 compared to the amounts accounted for under the former policies.

(c) Income taxes

Tax effect accounting has been adopted from the year ended March 31, 2000 due to the amendment of the accounting standards for income taxes. As a result, deferred tax assets were newly recognized in an amount of ¥9,867 million, ¥4,556 million in current assets and ¥5,311 million in investments and other assets, and deferred tax liabilities were recognized in an amount of ¥2,042 million in the consolidated financial statements as of March 31, 2000. Also, net income for the year ended March 31, 2000 and retained earnings as of March 31,2000 increased by ¥2,970 million and ¥8,458 million, respectively.

In addition to the above, cumulative effect of the adoption of tax effect accounting of ¥5,487 million at the beginning of the year ended March 31, 2000 was recognized as adjustments in retained earnings.

4. Acquisitions

(1) For the year ended March 31, 2002

Summary of assets and liabilities that increased due to the acquisition of business (materials handling sales operation) from Toyota Motor Corporation is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥11,912**	**$ 89,396**
Fixed assets	**14,957**	**112,248**
Current liabilities	**(1,184)**	**(8,886)**
Long-term liabilities	**(1,152)**	**(8,645)**
Acquisition cost	**24,533**	**184,113**
Less: cash and cash equivalents	**(814)**	**(6,109)**
Cash payment for the acquisition	**¥23,719**	**$178,004**

(2) For the year ended March 31, 2001

By May 31, 2000, the Company had acquired 97.1% of the share capital of BT Industries AB, a holding company of BT Industries Group, which consists of materials handling equipment manufacturing and sales companies. Due to this acquisition, Toyota Industries recorded goodwill amounting to ¥61,557 million, which is amortized over 20 years.

The summarized assets and liabilities arising from the acquisition, the acquisition cost to purchase BT Industries AB's shares, and the net cash payment made for the acquisition are as follows:

	Millions of yen
Current assets	¥ 56,289
Fixed assets	117,255
Current liabilities	(33,559)
Long-term liabilities	(49,450)
Minority interest	(762)
Acquisition cost of BT Industries AB	89,773
Less: cash and cash equivalents in BT Industries AB	(3,745)
Cash payment for the acquisition of BT Industries AB	¥ 86,028

(3) For the year ended March 31, 2000

Summary of assets and liabilities that increased due to the acquisition of the water-jet loom business of Nissan Texsys Co., Ltd. is as follows:

	Millions of yen
Current assets	¥1,222
Fixed assets	386
Total assets	1,608
Current liabilities	99
Long-term liabilities	11
Total liabilities	¥ 110

5. Marketable securities

(1) As of and for the year ended March 31, 2002

(a) Other securities with readily determinable fair value as of March 31, 2002 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Securities with carrying amount exceeding acquisition cost:						
Stocks	¥160,158	¥941,875	¥781,717	$1,201,936	$7,068,480	$5,866,544
Bonds						
Corporate bonds	2,999	3,000	1	22,506	22,514	8
Subtotal	163,157	944,875	781,718	1,224,442	7,090,994	5,866,552
Securities with carrying amount not exceeding acquisition cost:						
Stocks	15,324	10,014	(5,310)	115,002	75,152	(39,850)
Bonds						
Government and municipal bonds, etc.	0	0	–	0	0	–
Corporate bonds	7,093	7,090	(3)	53,231	53,208	(23)
Other bonds	3	3	–	23	23	–
Subtotal	22,420	17,107	(5,313)	168,256	128,383	(39,873)
Total	¥185,577	¥961,982	¥776,405	$1,392,698	$7,219,377	$5,826,679

In this year, Toyota Industries recorded ¥302 million (US$2,269 thousand) of impairment on an equity security included in securities with carrying amount not exceeding the cost lines.

(b) Other securities sold during the year ended March 31, 2002 are as follows:

Millions of yen			Thousands of U.S. dollars		
Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
¥17,967	¥242	¥11	$134,837	$1,816	$83

(c) Contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) without readily determinable fair value as of March 31, 2002 are as follows:

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Held-to-maturity securities	**¥ –**	**$ –**
Other securities		
Domestic unlisted stocks excluding over-the-counter stocks	**14,996**	**112,540**
Money management funds	**20,440**	**153,396**
Foreign unlisted bonds	**7**	**53**

(d) Redemption schedule of securities which have maturities within other securities as of March 31, 2002 is as follows:

	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Bonds								
Government bonds	**¥ –**	**¥ 0**	**¥–**	**¥–**	**$ –**	**$ 0**	**$–**	**$–**
Corporate bonds	**8,379**	**1,711**	**–**	**–**	**62,882**	**12,841**	**–**	**–**
Other	**2**	**7**	**–**	**–**	**15**	**52**	**–**	**–**
Total	**¥8,381**	**¥1,718**	**¥–**	**¥–**	**$62,897**	**$12,893**	**$–**	**$–**

(2) As of and for the year ended March 31, 2001

(a) Other securities with readily determinable fair value as of March 31, 2001 are as follows:

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amount exceeding acquisition cost:			
Stocks	¥159,376	¥1,110,176	¥950,800
Bonds			
Corporate bonds	13,702	13,723	21
Other bonds	–	–	–
Other	–	–	–
Subtotal	173,078	1,123,899	950,821
Securities with carrying amount not exceeding acquisition cost:			
Stocks	7,995	7,560	(435)
Bonds			
Government and municipal bonds, etc.	0	0	–
Corporate bonds	2,498	2,475	(23)
Other bonds	3	3	–
Other	720	720	–
Subtotal	11,216	10,758	(458)
Total	¥184,294	¥1,134,657	¥950,363

In this year, Toyota Industries recorded ¥2 million of impairment on an equity security included in securities with carrying amount not exceeding the cost lines.

(b) Other securities sold during the year ended March 31, 2001 are as follows:

Millions of yen		
Proceeds	Realized gains	Realized losses
¥23,689	¥15,317	¥0

Proceeds include ¥17,845 million of proceeds from the establishment of retirement benefit trust. And, realized gains include ¥15,080 million of gain on securities contribution to employee retirement benefit trust.

(c) Contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) without readily determinable fair value as of March 31, 2001 are as follows:

	Millions of yen
Held-to-maturity securities	¥ –
Other securities	
Domestic unlisted stocks excluding over-the-counter stocks	12,644
Commercial paper used in repurchase agreements	3,999
Bonds used in repurchase agreements	2,000
Money management funds	341
Foreign unlisted bonds	310

(d) Redemption schedule of securities which have maturities within other securities as of March 31, 2001 is as follows:

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Bonds				
Government bonds	¥ –	¥ –	¥0	¥ –
Corporate bonds	10,702	4,518	–	978
Other	3	10	–	300
Securities other than bonds	6,022	129	–	–
Total	¥16,727	¥4,657	¥0	¥1,278

6. Inventories

Inventories as of March 31, 2002 and 2001 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Finished goods	**¥27,490**	¥16,164	**$206,304**
Raw materials	**11,733**	10,329	**88,052**
Work in process	**25,193**	21,370	**189,066**
Supplies	**6,095**	4,900	**45,741**
Total	**¥70,511**	¥52,763	**$529,163**

7. Long-term debt

(1) Long-term debt as of March 31, 2002 and 2001 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
The Company:			
0.35% convertible bonds due 2003 without collateral	**¥ 75,742**	¥ 75,748	**$ 568,420**
2.70% bonds due 2008 without collateral	**30,000**	30,000	**225,141**
1.50% bonds due 2003 without collateral	**20,000**	20,000	**150,094**
2.15% bonds due 2008 without collateral	**20,000**	20,000	**150,094**
1.50% bonds due 2006 without collateral	**15,000**	15,000	**112,570**
1.94% bonds due 2009 without collateral	**15,000**	15,000	**112,570**
1.25% bonds due 2005 without collateral	**20,000**	20,000	**150,094**
1.91% bonds due 2010 without collateral	**20,000**	20,000	**150,094**
Consolidated subsidiaries:			
1.80% bonds due 2005	**300**	300	**2,251**
Long-term bank loans	**67,899**	53,555	**509,561**
Less: current portion of long-term debt	**(1,958)**	(1,108)	**(14,694)**
Total	**¥281,983**	¥268,495	**$2,116,195**

The conversion period of the 0.35% convertible bonds due 2003 is from May 1, 1996 to September 29, 2003 and the conversion price was ¥1,983.90 (US$14.89) per share as of March 31, 2002. The aggregate number of shares issuable upon conversion thereof at such conversion price was 38,178 thousand shares.

(2) Annual maturities of long-term debt as of March 31, 2002 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2003	¥ 1,958	$ 14,694
2004	146,964	1,102,919
2005	3,783	28,390
2006	25,309	189,936
2007	15,603	117,096
2008 and thereafter	90,324	677,854
Total	¥283,941	$2,130,889

8. Assets pledged as collateral

(1) Assets pledged as collateral as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Investments in securities	¥21,854	¥23,116	$164,008
Buildings and structures	4,213	4,249	31,617
Land	3,715	3,190	27,880
Machinery, equipment and vehicles	734	383	5,508
Trade notes and accounts receivable	449	200	3,369
Other	29	29	218
Total	¥30,994	¥31,167	$232,600

(2) Secured liabilities as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Other current liabilities	¥18,468	¥17,608	$138,596
Short-term bank loans	10,923	8,702	81,974
Long-term debt	2,691	1,867	20,195
Total	¥32,082	¥28,177	$240,765

9. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of March 31, 2002 and 2001 as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Guarantees given by the Company	¥ 262	¥ 338	$ 1,966
Guarantees given by consolidated subsidiaries	5,205	3,468	39,062
Guarantee forwards given by the Company	3,881	3,363	29,126
Acts similar to guarantees given by consolidated subsidiaries	–	10,289	–

Guarantees given by consolidated subsidiaries consist of 421,480 and 288,278 thousand of Swedish krona as of March 31, 2002 and 2001, and acts similar to guarantees given by consolidated subsidiaries consist of 855,299 thousand of Swedish krona as of March 31, 2001.

10. Accounting for notes receivable and notes payable maturing at year-end date

Although year-end dates of the years ended March 31, 2002 and 2001 were a holiday for banking institutions, the following notes receivable and notes payable were accounted as if they were settled at year-end date. Consequently, they are not included in trade notes and account receivable and trade notes and accounts payable on the balance sheet as of March 31, 2002 and 2001, respectively.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Notes receivable	¥ 763	¥569	$ 5,730
Notes payable	1,529	857	11,475

11. Shareholders' equity

Under the Japanese Commercial Code, amounts equal to at least 10% of the sum of the cash dividends and other external appropriations paid by the Company and its domestic subsidiaries must be set aside as a legal reserve until it equals 25% of common stock. The legal reserve may be used to reduce a deficit or may be transferred to common stock by taking appropriate corporate action. In consolidation, the legal reserves of the Company and its domestic subsidiaries are accounted for as retained earnings.

Year-end cash dividend is approved at the Ordinary General Meeting of Shareholders of the Company held after the close of the fiscal year to which the dividend is applicable. In addition, interim cash dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Japanese Commercial Code.

Proceeds from the conversion of convertible bonds have been accounted for in approximately equal amounts as common stock and capital surplus. At least 50% of the proceeds have been accounted for as common stock, in accordance with the provisions of the Japanese Commercial Code.

12. Research and development expenses

Research and development expenses, which are included in selling, general and administrative expenses and manufacturing costs, amounted to ¥29,985 million (US$225,028 thousand), ¥26,196 million and ¥24,062 million for the years ended March 31, 2002, 2001 and 2000, respectively.

13. Derivative instruments

For the years ended March 31, 2002 and 2001

(1) Qualitative disclosure about derivatives

(a) Contents of derivative instruments into which Toyota Industries entered, policy with respect to entering into derivative instruments, and purpose of using derivative instruments:

Toyota Industries uses interest rate swap agreements and foreign currency forward contracts to reduce interest rate risks on borrowings and to hedge foreign currency risks on transactions denominated in foreign currencies (receivables and payables, securities, and forecasted transactions),respectively.

In the year ended March 31, 2002, Toyota Industries also used foreign currency option contracts to hedge foreign currency risks on transactions denominated in foreign currencies.

(b) Contents of risks related to derivative instruments:

Interest rate swaps, foreign currency forward contracts and foreign currency option contracts into which Toyota Industries entered have risks of fluctuations in interest rates and in foreign currency exchange rates. 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.

(c) Controls in place over transactions handling derivative instruments:

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

(2) Quantitative disclosure about derivatives

Toyota Industries omitted this information because hedge accounting is applied to all of the derivative instruments into which Toyota Industries entered.

14. Retirement benefits

(1) Outline of retirement benefit plans:

The Company and its domestic subsidiaries maintain tax qualified pension plans and lump-sum indemnities plans, both of which are non-contributory defined benefit pension plans. In addition, certain foreign subsidiaries maintain non-contributory defined benefit pension plans. Since 1987, the Company has been transferring the covering percentages of pension plan from lump-sum indemnities plan to tax qualified pension plan. As of March 31, 2002, tax qualified pension plan covers 50% of total plans. Also, the Company established an employee retirement benefit trust.

(2) Components of allowance for retirement benefits as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Benefit obligation	**¥ 80,039**	¥ 71,458	**$ 600,668**
Plan assets	**(49,105)**	(46,513)	**(368,518)**
Unfunded benefit obligation	**30,934**	24,945	**232,150**
Unrecognized actuarial loss	**(9,581)**	(4,812)	**(71,902)**
Net amount recognized on the balance sheet	**21,353**	20,133	**160,248**
Prepaid pension expenses	**(5,115)**	(2,598)	**(38,386)**
Allowance for retirement benefits	**¥ 26,468**	¥ 22,731	**$ 198,634**

Certain subsidiaries use the simplified method to determine benefit obligations. Prepaid pension expenses are included in other investments and other assets. Allowance for retirement benefits on the balance sheet includes ¥2,372 million (US$17,794 thousand) and ¥2,803 million of allowance for retirement and severance benefits for directors and corporate auditors as of March 31, 2002 and 2001, respectively, as discussed in Note 3.

(3) Components of retirement benefit expenses for the years ended March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Service cost	**¥6,018**	¥ 3,799	**$45,163**
Interest cost	**1,843**	1,677	**13,831**
Expected return on plan assets	**(704)**	(637)	**(5,283)**
Amortization of transition obligation	**–**	19,057	**–**
Amortization of unrecognized actuarial loss	**225**	–	**1,689**
Retirement benefit expenses	**¥7,382**	¥23,896	**$55,400**

Retirement expenses of subsidiaries which adopted the simplified method are included in both service cost and amortization of transition obligation.

Due to the establishment of a retirement benefit trust in the year ended March 31, 2001, which was the first year of accounting standards for retirement benefit's adoption, amortization of transition obligation also included ¥17,845 million of one-time amortization of retirement benefit obligation which was equivalent to fair value of trust properties at the time of its contribution.

(4) Assumptions used for calculation of retirement benefits for the years ended March 31, 2002 and 2001 are as follows:

	2002	2001	
Method of attribution of estimated retirement benefits to periods of employee service: straight-line method			
Discount rate	**3.0%**	3.0%	
Expected return on plan assets	**3.0%**	3.0%	
Amortization period of unrecognized actuarial gains or losses	**20 years**	20 years	Straight-line method over the average remaining service period of employees starting from following year
Amortization period of net transition obligation	**–**	1 year	

15. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Deferred tax assets:			
Allowance for retirement benefits	**¥ 4,090**	¥ 3,562	**$ 30,694**
Trade receivables	**3,282**	3,203	**24,630**
Accrued expenses	**3,272**	2,330	**24,555**
Net operating loss carry-forwards for tax purposes	**2,806**	2,290	**21,058**
Depreciation	**2,386**	1,708	**17,906**
Securities	**1,456**	1,034	**10,927**
Enterprise tax payable	**709**	1,058	**5,321**
Other	**9,608**	4,602	**72,105**
Subtotal	**27,609**	19,787	**207,196**
Less — valuation allowance	**(2,382)**	(2,448)	**(17,876)**
Total deferred tax assets	**25,227**	17,339	**189,320**
Deferred tax liabilities:			
Other securities	**319,819**	391,484	**2,400,143**
Depreciation	**4,290**	1,618	**32,195**
Land	**1,138**	1,112	**8,540**
Reserve for advanced depreciation	**338**	384	**2,537**
Reserve for special depreciation	**290**	96	**2,176**
Other	**3,506**	148	**26,311**
Total deferred tax liabilities	**329,381**	394,842	**2,471,902**
Net deferred tax liabilities	**¥(304,154)**	¥(377,503)	**$(2,282,582)**

Net deferred tax liabilities consist of the following components on the consolidated balance sheet.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Current assets — deferred tax assets	**¥ 10,081**	¥ 8,686	**$ 75,655**
Investments and other assets — deferred tax assets	**2,237**	1,374	**16,788**
Current liabilities — deferred tax liabilities	**(494)**	(15)	**(3,707)**
Long-term liabilities — deferred tax liabilities	**(315,978)**	(387,548)	**(2,371,318)**
Net deferred tax liabilities	**¥(304,154)**	¥(377,503)	**$(2,282,582)**

(2) Reconciliations of differences between the statutory rate of income taxes and the effective rate of income taxes for the years ended March 31, 2002, 2001 and 2000 are as follows:

	2002	2001	2000
Statutory rate of income taxes	**41.2%**	41.2%	41.2%
Addition (reduction) in taxes resulting from:			
Equity in losses of affiliates	**0.8**	1.0	7.6
Net pre-tax losses of subsidiaries	**0.6**	1.4	3.5
Elimination of dividend income	**0.7**	0.9	1.3
Dividends income and others permanently not recognized as taxable income	**(5.4)**	(6.7)	(8.6)
Amortization of goodwill	**4.1**	–	–
Other	**(0.8)**	1.0	1.3
Effective rate of income taxes	**41.2%**	38.8%	46.3%

16. 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, as of March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Machinery and equipment:			
Acquisition cost equivalents	**¥5,849**	¥2,339	**$43,895**
Accumulated depreciation equivalents	**1,391**	910	**10,439**
Machinery and equipment net balance equivalents	**4,458**	1,429	**33,456**
Tools, furniture and fixtures:			
Acquisition cost equivalents	**5,313**	4,660	**39,872**
Accumulated depreciation equivalents	**2,530**	2,228	**18,987**
Tools, furniture and fixtures net balance equivalents	**2,783**	2,432	**20,885**
Total net leased properties	**¥7,241**	¥3,861	**$54,341**

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 year-end is immaterial.

(b) Pro forma information regarding future minimum lease payments as of March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Due within 1 year	**¥1,937**	¥1,302	**$14,537**
Due after 1 year	**5,304**	2,559	**39,805**
Total	**¥7,241**	¥3,861	**$54,342**

The amount equivalent to future minimum lease payments as of the end of the year includes 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 year-end is immaterial.

(c) Total lease payments for the years ended March 31, 2002, 2001 and 2000 are as follows:

	Millions of yen	Thousands of U.S. dollars
2002	**¥1,842**	**$13,824**
2001	1,505	–
2000	1,749	–

Pro forma depreciation expenses, which are not reflected in the accompanying 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 years ended 2002, 2001 and 2000, and are equivalent to the amount of total lease payments of the above.

(2) Operating leases (as a lessee)

(a) Pro forma future lease payments under operating leases as of March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within 1 year	**¥ 2,545**	¥ 5,116	**$19,099**
Due after 1 year	**9,696**	9,543	**72,766**
Total	**¥12,241**	¥14,659	**$91,865**

(3) 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 March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Machinery and equipment:			
Acquisition cost	**¥6,975**	¥–	**$52,345**
Accumulated depreciation	**4,005**	–	**30,056**
Total net leased property	**¥2,970**	¥–	**$22,289**

(b) Pro forma information regarding future minimum lease payments as of March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within 1 year	**¥1,658**	¥–	**$12,443**
Due after 1 year	**2,966**	–	**22,259**
Total	**¥4,624**	¥–	**$34,702**

The amount equivalent to future minimum lease payments includes the imputed interest income portion because the percentage which is computed by dividing future minimum lease payments by total balance of property, plant and equipment at year-end is immaterial.

(c) Total lease receipts and depreciation expenses for the years ended March 31, 2002 and 2001 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Total lease payments to be received	**¥2,220**	¥–	**$16,660**
Depreciation expenses	**1,112**	–	**8,345**

(4) Operating leases (as a lessor)

Pro forma information regarding future minimum rentals under operating leases as of March 31, 2002 and 2001 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Due within 1 year	**¥ 4,525**	¥1,456	**$33,959**
Due after 1 year	**7,147**	7,717	**53,636**
Total	**¥11,672**	¥9,173	**$87,595**

17. Subsequent event

On June 27, 2002, the shareholders of the Company authorized payment of a year-end cash dividend to shareholders of record as of March 31, 2002 of ¥10 (US$0.075) per share, or a total of ¥3,127 million (US$23,467 thousand), and bonuses to directors and corporate auditors of ¥208 million (US$1,561 thousand). Cash dividends for the year totaled ¥19 (US$0.143) per share, including interim cash dividend of ¥9 (US$0.068).

18. Segment information

(1) Business segments

As of and for the years ended March 31, 2002, 2001 and 2000:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Sales:				
Automobile				
Outside customer sales	**¥ 563,599**	¥457,631	¥423,413	**$4,229,636**
Intersegment transactions	**15,412**	4,097	3,335	**115,662**
	579,011	461,728	426,748	**4,345,298**
Materials handling equipment				
Outside customer sales	**353,043**	236,502	149,085	**2,649,479**
Intersegment transactions	**44**	–	–	**330**
	353,087	236,502	149,085	**2,649,809**
Textile machinery				
Outside customer sales	**30,705**	33,238	23,135	**230,432**
Intersegment transactions	**50**	–	–	**375**
	30,755	33,238	23,135	**230,807**
Others				
Outside customer sales	**32,816**	40,012	30,140	**246,274**
Intersegment transactions	**11,056**	4,531	2,613	**82,972**
	43,872	44,543	32,753	**329,246**
Subtotal	**1,006,725**	776,011	631,721	**7,555,160**
Elimination of intersegment transactions	**(26,562)**	(8,628)	(5,948)	**(199,340)**
Total	**¥ 980,163**	¥767,383	¥625,773	**$7,355,820**
Operating costs and expenses:				
Automobile	**¥ 550,051**	¥433,203	¥402,320	**$4,127,962**
Materials handling equipment	**339,721**	221,955	143,335	**2,549,502**
Textile machinery	**31,146**	33,203	26,107	**233,741**
Others	**39,390**	40,178	32,001	**295,610**
Elimination of intersegment transactions	**(26,475)**	(8,460)	(6,857)	**(198,687)**
Total	**¥ 933,833**	¥720,079	¥596,906	**$7,008,128**
Operating income (loss):				
Automobile	**¥ 28,960**	¥ 28,525	¥ 24,428	**$ 217,336**
Materials handling equipment	**13,366**	14,547	5,750	**100,307**
Textile machinery	**(391)**	35	(2,972)	**(2,934)**
Others	**4,482**	4,365	752	**33,636**
Elimination of intersegment transactions	**(87)**	(168)	909	**(653)**
Total	**¥ 46,330**	¥ 47,304	¥ 28,867	**$ 347,692**

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	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Assets:				
Automobile	**¥ 317,133**	¥ 282,504	¥266,839	**$ 2,379,985**
Materials handling equipment	**319,335**	270,975	81,343	**2,396,510**
Textile machinery	**22,323**	25,404	23,427	**167,527**
Others	**31,640**	15,487	18,012	**237,448**
Corporate assets or elimination	**1,079,970**	1,275,272	296,293	**8,104,841**
Total	**¥1,770,401**	¥1,869,642	¥685,914	**$13,286,311**
Depreciation and amortization:				
Automobile	**¥ 33,403**	¥ 31,764	¥ 31,707	**$ 250,679**
Materials handling equipment	**18,882**	10,766	7,751	**141,704**
Textile machinery	**797**	1,034	978	**5,981**
Others	**2,307**	3,071	2,398	**17,313**
Corporate or elimination of intersegment transactions	**(215)**	(181)	(82)	**(1,614)**
Total	**¥ 55,174**	¥ 46,454	¥ 42,752	**$ 414,063**
Capital expenditures:				
Automobile	**¥ 61,023**	¥ 54,734	¥ 33,058	**$ 457,959**
Materials handling equipment	**26,337**	70,673	5,426	**197,651**
Textile machinery	**523**	320	1,042	**3,925**
Others	**903**	2,311	5,794	**6,777**
Corporate or elimination of intersegment transactions	**(466)**	(765)	(574)	**(3,497)**
Total	**¥ 88,320**	¥ 127,273	¥ 44,746	**$ 662,815**

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*
Textile machinery .... *Ring spinning frames, air-jet looms, water-jet looms*
Others .... *Ball grid array plastic package substrates for IC chipsets, casting machines*

Corporate assets as of March 31, 2002 and 2001, included in corporate assets or elimination amounting to ¥1,093,812 million (US$8,208,720 thousand) and ¥1,278,393 million, respectively, consist mainly of cash and cash equivalents, short-term investments and investments in securities held by the Company.

Effective beginning the year ended March 31, 2001, the new accounting standards for retirement benefits have been applied. Consequently, operating costs and expenses increased by ¥721 million for the Automobile Segment, ¥197 million for the Materials Handling Equipment Segment, ¥41 million for the Textile Machinery Segment and ¥46 million for the Others Segment, and operating income for each segment decreased by the same amount.

Effective beginning the year ended March 31, 2001, allowance for retirement and severance benefits for directors and corporate auditors has been recorded. Consequently, operating costs and expenses increased by ¥145 million for the Automobile Segment, ¥37 million for the Materials Handling Equipment Segment, ¥10 million for the Textile Machinery Segment and ¥4 million for the Others Segment, and operating income for each segment decreased by the same amounts.

Effective beginning the year ended March 31, 2001, the new accounting standards for financial instruments have been applied. Consequently, assets increased by ¥40 million for the Materials Handling Equipment Segment and ¥942,594 million for corporate assets or elimination.

Effective beginning the year ended March 31, 2000, the new accounting standards for income taxes have been applied. Consequently, assets increased by ¥3,335 million for the Automobile Segment, ¥1,221 million for the Materials Handling Equipment Segment, ¥442 million for the Textile Machinery Segment, ¥621 million for the Others Segment and ¥4,247 million for corporate assets or elimination.

As discussed in Note 3, from the year ended March 31, 2000, revenue and expense accounts of overseas subsidiaries have been translated into Japanese yen at annual average rates, while up to and including the year ended March 31, 1999, year-end rates had been used. Consequently, sales, operating income, assets, depreciation and amortization, and capital expenditures increased by ¥4,477 million, ¥251 million, ¥145 million, ¥287 million and ¥960 million, respectively, for the Automobile Segment, and increased by ¥5,856 million, ¥338 million, ¥210 million, ¥135 million and ¥303 million, respectively, for the Materials Handling Equipment Segment. For the Textile Machinery Segment, sales, operating loss, depreciation and amortization, and capital expenditures increased by ¥99 million, ¥30 million, ¥12 million and ¥5 million, respectively, and assets decreased by ¥36 million.

(2) Geographical segments

As of and for the years ended March 31, 2002, 2001 and 2000:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Sales:				
Japan				
Outside customer sales	**¥ 675,346**	¥586,087	¥531,274	**$5,068,263**
Intersegment transactions	**61,097**	31,770	25,309	**458,514**
	736,443	617,857	556,583	**5,526,777**
North America				
Outside customer sales	**180,535**	123,355	79,232	**1,354,859**
Intersegment transactions	**1,392**	337	–	**10,447**
	181,927	123,692	79,232	**1,365,306**
Europe				
Outside customer sales	**121,036**	55,826	–	**908,338**
Intersegment transactions	**5,426**	749	–	**40,720**
	126,462	56,575	–	**949,058**
Others				
Outside customer sales	**3,246**	2,115	15,267	**24,360**
Intersegment transactions	**652**	478	589	**4,893**
	3,898	2,593	15,856	**29,253**
Subtotal	**1,048,730**	800,717	651,671	**7,870,394**
Elimination of intersegment transactions	**(68,567)**	(33,334)	(25,898)	**(514,574)**
Total	**¥ 980,163**	¥767,383	¥625,773	**$7,355,820**
Operating costs and expenses:				
Japan	**¥ 695,442**	¥577,381	¥533,987	**$5,219,077**
North America	**177,442**	118,422	74,547	**1,331,648**
Europe	**125,345**	53,724	–	**940,675**
Others	**4,011**	2,841	15,358	**30,101**
Elimination of intersegment transactions	**(68,407)**	(32,289)	(26,986)	**(513,373)**
Total	**¥ 933,833**	¥720,079	¥596,906	**$7,008,128**
Operating income (loss):				
Japan	**¥ 41,001**	¥ 40,476	¥ 22,596	**$ 307,700**
North America	**4,485**	5,270	4,685	**33,658**
Europe	**1,117**	2,851	–	**8,383**
Others	**(113)**	(248)	498	**(848)**
Elimination of intersegment transactions	**(160)**	(1,045)	1,088	**(1,201)**
Total	**¥ 46,330**	¥ 47,304	¥ 28,867	**$ 347,692**

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	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Assets:				
Japan	**¥ 511,856**	¥ 460,474	¥361,459	**$ 3,841,321**
North America	**156,188**	126,520	44,035	**1,172,142**
Europe	**202,078**	158,351	–	**1,516,532**
Others	**5,757**	4,987	17,322	**43,205**
Corporate assets or elimination	**894,522**	1,119,310	263,098	**6,713,111**
Total	**¥1,770,401**	¥1,869,642	¥685,914	**$13,286,311**

Significant countries or areas belonging to each segment are as follows:

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

Corporate assets as of March 31, 2002 and 2001, included in corporate assets or elimination amounting to ¥1,093,812 million (US$8,208,720 thousand) and ¥1,278,393 million, respectively, consist mainly of cash and cash equivalents, short-term investments and investments in securities held by the Company.

Effective beginning the year ended March 31, 2001, the Europe Segment was separated from the Others Segment because business there increased in importance. Sales, operating income and assets of the Europe Segment in the prior year were ¥14,822 million, ¥681 million and ¥13,472 million, respectively.

Effective beginning the year ended March 31, 2001, the new accounting standards for retirement benefits have been applied. Consequently, operating costs and expenses of the Japan Segment increased by ¥1,005 million and operating income of the Japan Segment decreased by the same amount.

Effective beginning the year ended March 31, 2001, allowance for retirement and severance benefits for directors and corporate auditors have been recorded. Consequently, operating costs and expenses of the Japan Segment increased by ¥196 million and operating income of the Japan Segment decreased by the same amount.

Effective beginning the year ended March 31, 2001, the new accounting standards for financial instruments have been applied. Consequently, assets increased by ¥40 million for the Japan Segment and ¥942,594 million for corporate assets or elimination.

Effective beginning the year ended March 31, 2000, the new accounting standards for income taxes have been applied. Consequently, assets increased by ¥9,025 million for the Japan Segment, ¥811 million for the North America Segment and ¥31 million for the Others Segment.

As discussed in Note 3, from the year ended March 31, 2000, revenue and expense accounts of overseas subsidiaries have been translated into Japanese yen at annual average rates while year-end rates had been used until the year ended March 31, 1999. Consequently, sales, operating income and assets increased by ¥8,031 million, ¥475 million and ¥308 million for the North America Segment, ¥2,401 million, ¥84 million and ¥11 million for the Others Segment.

(3) Overseas sales

For the years ended March 31, 2002, 2001 and 2000:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Overseas sales:				
North America	**¥181,177**	¥140,161	¥ 90,314	**$1,359,677**
Europe	**160,456**	102,666	–	**1,204,173**
Others	**54,837**	55,967	101,678	**411,535**
Total	**¥396,470**	¥298,794	¥191,992	**$2,975,385**
Total sales	**¥980,163**	¥767,383	¥625,773	**$7,355,820**
Ratio of overseas sales to total sales (%):				
North America	**18.5%**	18.2%	14.4%	
Europe	**16.4**	13.4	–	
Others	**5.5**	7.3	16.3	
Total	**40.4%**	38.9%	30.7%	

Significant countries or areas belonging to each area are as follows:

North America .... U.S.A., Canada
Europe .... Germany, France, U.K.
Others .... China, Indonesia, Australia, Korea, Taiwan, Thailand

The Europe area, which had been included in Others until the year ended March 31, 2000, has been separately disclosed beginning the year ended March 31, 2001 due to its increased materiality. Sales to the Europe area were ¥54,034 million (8.6% of total sales) in the previous year.

As discussed in Note 3, beginning the year ended March 31, 2000, revenue and expense accounts of overseas subsidiaries have been translated into Japanese yen at annual average rates, while until the year ended March 31, 1999 year-end rates had been used. Consequently, overseas sales increased by ¥8,027 million for the North America area and ¥2,347 million for the Others area.

19. Related party transactions

The following transactions were carried out with related parties:

(1) Sales of goods and services for the years ended March 31, 2002, 2001 and 2000 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Toyota Motor Corporation	**¥410,995**	¥425,377	¥393,780	**$3,084,390**

Toyota Motor Corporation held 24.67% of the Company's shares as of March 31, 2002, 2001 and 2000, respectively. The above transactions were carried out on commercial terms and conditions.

(2) Purchase of goods and services for the years ended March 31, 2002, 2001 and 2000 are as follows:

Purchase of goods:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Toyota Motor Corporation	**¥284,531**	¥195,514	¥184,935	**$2,135,317**

Purchase of services:

	Millions of yen			Thousands of U.S. dollars
	2002	2001	2000	**2002**
Toyota Motor Corporation	**¥2,333**	¥4,685	¥4,848	**$17,509**
Toyota Industries Health Insurance Society	**72**	69	62	**540**
Toyota Medical Corporation	**42**	33	32	**315**
Total	**¥2,447**	¥4,787	¥4,942	**$18,364**

Toyota Industries Health Insurance Society's chairman as of March 31, 2002 and 2001 is Shiro Endo, who is a director of the Company and holds 0.01% of the Company's shares, and Shigetaka Mitomo as of March 31, 2000, who was a corporate auditor of the Company. Toyota Medical Corporation's chairman as of March 31, 2002, 2001 and 2000 is Yoshitoshi Toyoda, who is a director of the Company and holds 0.05%, 0.05% and 0.06% of the Company's shares, respectively. The transactions above were carried out on commercial terms and conditions.

(3) Outstanding balances arising from sale/purchase of goods/services as of March 31, 2002 and 2001 are as follows:

Receivables from a related party:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Toyota Motor Corporation	**¥20,873**	¥35,483	**$156,645**

Payable to a related party:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Toyota Motor Corporation	**¥30,527**	¥18,214	**$229,096**

(4) Loans to an affiliate for the year ended March 31, 2001 are as follows:

	Millions of yen
Balance at the beginning of the year	¥ 8,600
Loans made during the year	–
Repayments during the year	(8,600)
Balance at the end of the year	¥ –

A loan was made to ST Liquid Crystal Display Corp., in which the Company owns 50.0% of the shares, and given on commercial terms and conditions without any collateral.

20. Stock-based compensation

The introduction for the first time of an incentive plan involving the granting of stock options was approved at the Ordinary General Meeting of Shareholders in June 2001. Consequently, options on a total of 500,000 shares, the maximum allowable, were granted at a predetermined exercise price to all directors and certain employees. The purpose of this plan is to further sharpen the motivation of senior management in enhancing shareholder value. The grant price is the higher of the closing price on the Tokyo Stock Exchange on the date of grant and 1.05 times the average closing price in the full calendar month prior to the month of the grant date. Recipients may not exercise the option within the first two years. Subsequent to that initial period, the option must be exercised or waived within the next two years.

To finance this plan, we purchased 499,200 shares of common stock (¥1.3 billion) as treasury stock in fiscal 2002.

In June 2002, the Ordinary General Meeting of Shareholders approved a warrant, which earmarks a maximum of 800,000 shares of common stock to be further distributed among directors and employees.