

# Consolidated Financial Results for FY2001 (April 2000 - March 2001)

## TOYODA AUTOMATIC LOOM WORKS, LTD.

Stock exchange listings: Tokyo, Osaka and Nagoya (Ticker code: 6201)

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Date of the meeting of the Board of Directors for consolidated financial results for FY2001: Tuesday, May 15, 2001

US GAAP: Not adopted.

### 1. Consolidated Results for FY2001 (April 1, 2000 - March 31, 2001)

#### (1) Consolidated financial results

(Amounts less than one million yen are omitted.)

	Net sales	( % change from previous year )	Operating income	( % change from previous year )	Ordinary income	( % change from previous year )
	Million yen	%	Million yen	%	Million yen	%
<b>FY2001</b>	<b>767,382</b>	<b>( 22.6 )</b>	<b>47,304</b>	<b>( 63.9 )</b>	<b>44,526</b>	<b>( 63.9 )</b>
FY2000	625,772	( 12.0 )	28,867	( 16.3 )	27,162	( 17.2 )

	Net income	( % change from previous year )	Net income per share—basic	Net income per share—diluted	Return on equity	Ordinary income on assets	Ordinary income on sales
	Million yen	%	Yen	Yen	%	%	%
<b>FY2001</b>	<b>22,637</b>	<b>( 65.4 )</b>	<b>75.90</b>	<b>67.77</b>	<b>3.6</b>	<b>3.5</b>	<b>5.8</b>
FY2000	13,686	( 31.7 )	48.32	43.18	4.4	4.2	4.3

Notes: 1. Equity in net loss of affiliates: 972 million yen (5,035 million yen for FY2000)

2. Average number of shares issued and outstanding each year (consolidated): FY2001 - 298,259,654 shares, FY2000 - 283,259,338 shares

3. For the changes in accounting policies: see page 11.

4. Effective for FY2001, new accounting standards for retirement benefits and financial instruments and Accounting Standards for Foreign Currency Transactions (issued on October 22, 1999) have been applied.

#### (2) Consolidated financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Million yen	Million yen	%	Yen
<b>FY2001</b>	<b>1,869,642</b>	<b>951,298</b>	<b>50.9</b>	<b>3,036.77</b>
FY2000	685,914	316,293	46.1	1,116.62

Note: Number of shares issued and outstanding at end of each year (consolidated): FY2001 - 313,260,132 shares, FY2000 - 283,259,789 shares

#### (3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	Million yen	Million yen	Million yen	Million yen
<b>FY2001</b>	<b>78,412</b>	<b>(155,870)</b>	<b>94,472</b>	<b>95,296</b>
FY2000	68,057	( 67,186)	27,499	77,332

#### (4) Scope of consolidation and equity method

Consolidated subsidiaries: 100 companies

Unconsolidated subsidiaries accounted for by the equity method: 2 companies

Affiliates accounted for by the equity method: 17 companies

#### (5) Changes in scope of consolidation and equity method

Consolidated subsidiaries: (increase) 72 companies

(decrease) 1 company

Equity method investees: (increase) 17 companies

(decrease) -

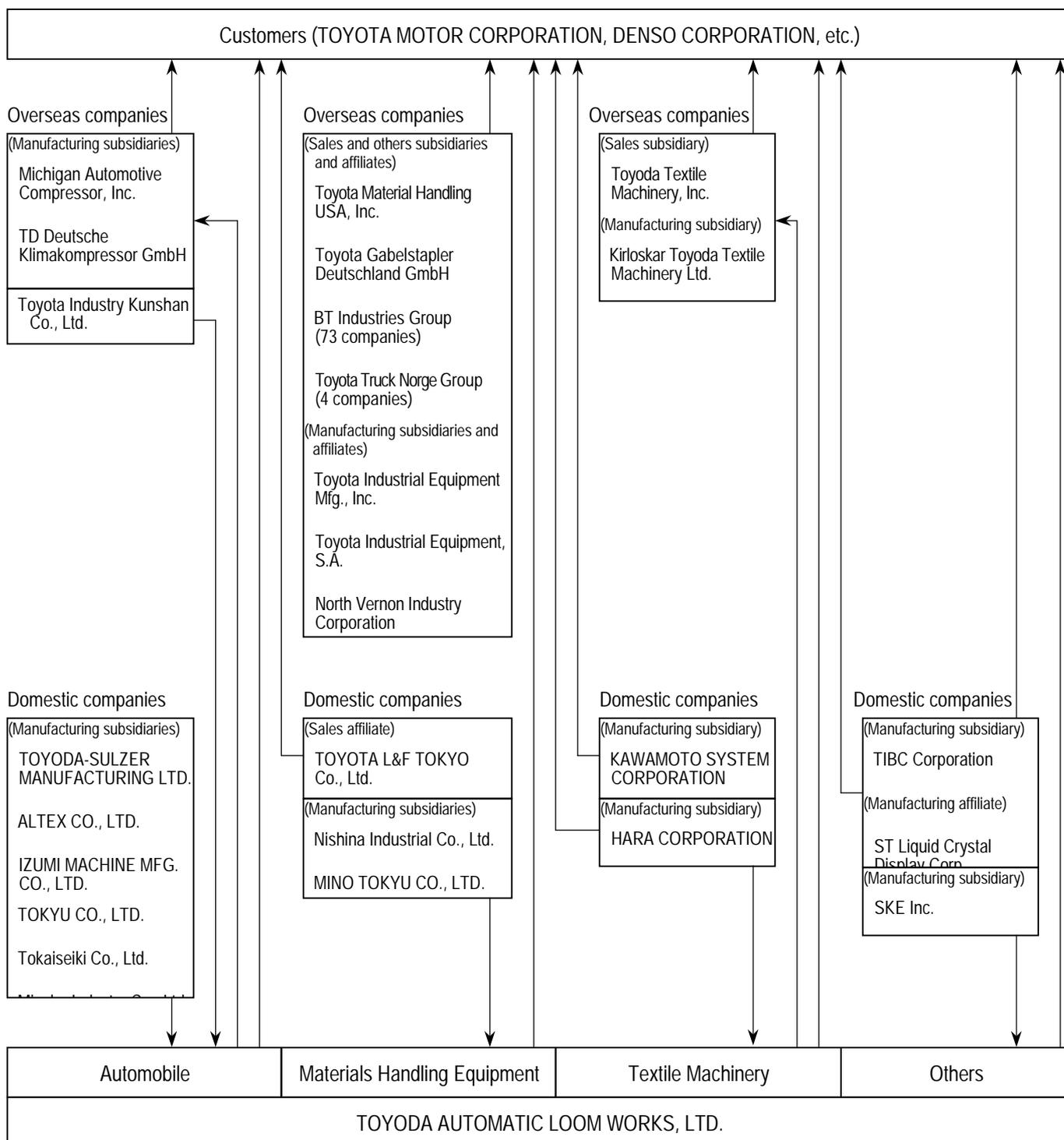
### 2. Forecasts of Consolidated Results for FY2002 (April 1, 2001 - March 31, 2002)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
<b>FY2002 semi-annual</b>	<b>450,000</b>	<b>24,000</b>	<b>13,500</b>
<b>FY2002</b>	<b>920,000</b>	<b>53,000</b>	<b>31,000</b>

Reference: Estimated net income per share—basic (annual): 98.96 yen

# Overview of Associated Companies

Toyoda Automatic Loom Works, Ltd. ("TAL") and its associated companies (Toyota Motor Corporation ("TMC"), which has TAL as an affiliate, TAL's 102 subsidiaries and 23 affiliates) are engaged mainly in manufacture and sales of automobiles and related products, materials handling equipment, textile machinery and others. The associated companies' positions in the businesses and relation to the business segments are shown below.



### **Cautionary Statement with Respect to Forward-Looking Statements**

These consolidated and non-consolidated financial results contain forward-looking statements which are not based on already recorded events, such as plans, strategies, resolutions, and estimates regarding the future business performance of Toyoda Automatic Loom Works, Ltd. ("TAL") and its subsidiaries and affiliates (together, "TOYODA"). These statements reflect the opinions of TAL's management, which are based upon presently available information. Therefore, readers should not place undue reliance on these projections. Actual business results are contingent upon a variety of risks and unknown factors that may significantly influence final results. Risks and unknown factors that may influence final results for TOYODA's operations include, but are not limited to, the economic circumstances surrounding TOYODA's businesses, various competitive pressures, relevant laws and regulations, and changes in exchange rates.

# Consolidated Balance Sheets

(Million yen; amounts less than one million yen are omitted.)

	FY2001 (As of March 31, 2001)	FY2000 (As of March 31, 2000)	Variance
<b>Assets</b>			
<b>Current assets</b>	<b>3 0 1 , 3 5 0</b>	<b>1 9 5 , 2 8 9</b>	<b>1 0 6 , 0 6 1</b>
Cash and deposits	1 0 0 , 2 8 5	7 0 , 0 3 7	3 0 , 2 4 8
Trade notes and accounts receivable	9 7 , 4 5 5	6 6 , 4 5 8	3 0 , 9 9 7
Marketable securities	1 7 , 6 3 6	1 3 , 3 1 4	4 , 3 2 2
Inventories	5 2 , 7 6 3	3 0 , 2 1 4	2 2 , 5 4 9
Deferred tax assets	8 , 6 8 6	4 , 5 5 6	4 , 1 3 0
Other current assets	2 5 , 6 8 3	1 1 , 0 9 6	1 4 , 5 8 7
Less—allowance for doubtful accounts	( 1 , 1 5 9 )	( 3 8 9 )	( 7 7 0 )
<b>Fixed assets</b>	<b>1 , 5 6 8 , 2 9 1</b>	<b>4 7 9 , 9 3 2</b>	<b>1 , 0 8 8 , 3 5 9</b>
<b>Property, plant and equipment</b>	<b>2 9 4 , 7 4 2</b>	<b>2 5 8 , 7 0 5</b>	<b>3 6 , 0 3 7</b>
Buildings and structures	8 8 , 8 5 8	8 3 , 7 7 1	5 , 0 8 7
Machinery, equipment and vehicles	1 3 5 , 4 0 5	1 1 7 , 0 6 6	1 8 , 3 3 9
Tools, furniture and fixture	1 4 , 5 5 0	1 3 , 1 2 0	1 , 4 3 0
Land	4 2 , 1 0 2	3 6 , 4 5 5	5 , 6 4 7
Construction in progress	1 3 , 8 2 6	8 , 2 9 0	5 , 5 3 6
<b>Intangible fixed assets</b>	<b>8 7 , 9 8 7</b>	<b>1 , 5 2 2</b>	<b>8 6 , 4 6 5</b>
Software	1 , 5 8 0	1 , 5 2 2	5 8
Goodwill	8 6 , 4 0 7	-	8 6 , 4 0 7
<b>Investments and other assets</b>	<b>1 , 1 8 5 , 5 6 1</b>	<b>2 1 9 , 7 0 3</b>	<b>9 6 5 , 8 5 8</b>
Investments in securities	1 , 1 4 5 , 1 7 6	1 9 1 , 2 0 1	9 5 3 , 9 7 5
Long-term loans	8 , 1 0 6	1 4 , 6 2 2	( 6 , 5 1 6 )
Long-term prepaid expenses	5 , 3 5 4	1 , 5 7 5	3 , 7 7 9
Deferred tax assets	1 , 3 7 3	5 , 3 1 1	( 3 , 9 3 8 )
Other investments and other assets	2 5 , 6 6 2	7 , 0 4 4	1 8 , 6 1 8
Less—allowance for doubtful accounts	( 1 1 2 )	( 5 1 )	( 6 1 )
<b>Translation adjustments</b>	<b>-</b>	<b>1 0 , 6 9 3</b>	<b>( 1 0 , 6 9 3 )</b>
<b>Total assets</b>	<b>1 , 8 6 9 , 6 4 2</b>	<b>6 8 5 , 9 1 4</b>	<b>1 , 1 8 3 , 7 2 8</b>

- Notes: 1. Accumulated depreciation of property, plant and equipment
- |  |               |               |             |
|--|---------------|---------------|-------------|
|  | 4 0 6 , 8 4 2 | 3 5 8 , 1 5 3 | 4 8 , 6 8 9 |
|--|---------------|---------------|-------------|
2. Contingent liabilities
- |  |             |           |             |
|--|-------------|-----------|-------------|
|  | 1 7 , 4 5 7 | 3 , 3 0 5 | 1 4 , 1 5 2 |
|--|-------------|-----------|-------------|
3. Number of shares of treasury stock
- |  |            |              |                  |
|--|------------|--------------|------------------|
|  | 9 3 shares | 4 3 6 shares | ( 3 4 3 ) shares |
|--|------------|--------------|------------------|
4. Number of shares of treasury stock owned by consolidated subsidiaries
- |  |                    |                    |   |
|--|--------------------|--------------------|---|
|  | 3 6 , 0 0 0 shares | 3 6 , 0 0 0 shares | - |
|--|--------------------|--------------------|---|
5. Provision for retirement and severance benefits for directors and corporate auditors of 2,803 million yen is contained in allowance for retirement benefits in FY2001.

(Million yen; amounts less than one million yen are omitted.)

	FY2001 (As of March 31, 2001)	FY2000 (As of March 31, 2000)	Variance
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>2 1 3 , 5 9 9</b>	<b>1 4 5 , 8 8 2</b>	<b>6 7 , 7 1 7</b>
Trade notes and accounts payable	1 0 3 , 4 4 4	7 8 , 1 1 3	2 5 , 3 3 1
Short-term bank loans	2 3 , 1 9 2	1 0 , 2 9 9	1 2 , 8 9 3
Other payables	1 7 , 1 1 3	1 0 , 5 7 8	6 , 5 3 5
Accrued expenses	3 2 , 2 1 9	1 9 , 5 9 3	1 2 , 6 2 6
Accrued income taxes	1 2 , 3 6 4	8 , 0 2 0	4 , 3 4 4
Deposits received from employees	1 8 , 0 3 0	1 7 , 8 4 1	1 8 9
Other current liabilities	7 , 2 3 5	1 , 4 3 5	5 , 8 0 0
<b>Long-term liabilities</b>	<b>6 8 6 , 6 1 8</b>	<b>2 0 3 , 4 1 9</b>	<b>4 8 3 , 1 9 9</b>
Straight bonds	1 4 0 , 3 0 0	1 0 0 , 3 0 0	4 0 , 0 0 0
Convertible bonds	7 5 , 7 4 8	7 5 , 7 4 8	-
Long-term bank loans	5 2 , 4 4 6	5 , 0 2 3	4 7 , 4 2 3
Deferred tax liabilities	3 8 7 , 5 4 7	2 , 0 4 1	3 8 5 , 5 0 6
Allowance for retirement and severance benefits	-	1 8 , 8 1 4	( 1 8 , 8 1 4 )
Allowance for retirement benefits	2 5 , 5 3 4	-	2 5 , 5 3 4
Negative goodwill	-	1 0 2	( 1 0 2 )
Other long-term liabilities	5 , 0 4 1	1 , 3 8 8	3 , 6 5 3
<b>Total liabilities</b>	<b>9 0 0 , 2 1 8</b>	<b>3 4 9 , 3 0 1</b>	<b>5 5 0 , 9 1 7</b>
<b>Minority interest in consolidated subsidiaries</b>	<b>1 8 , 1 2 5</b>	<b>2 0 , 3 1 9</b>	<b>( 2 , 1 9 4 )</b>
<b>Shareholders' equity</b>			
<b>Common stock</b>	<b>6 8 , 0 1 8</b>	<b>4 0 , 1 7 8</b>	<b>2 7 , 8 4 0</b>
<b>Capital surplus</b>	<b>8 8 , 5 1 2</b>	<b>6 0 , 6 7 2</b>	<b>2 7 , 8 4 0</b>
<b>Retained earnings</b>	<b>2 3 3 , 3 6 7</b>	<b>2 1 5 , 4 6 3</b>	<b>1 7 , 9 0 4</b>
<b>Net unrealized gains on other securities</b>	<b>5 5 8 , 6 7 3</b>	<b>-</b>	<b>5 5 8 , 6 7 3</b>
<b>Translation adjustments</b>	<b>2 , 7 4 6</b>	<b>-</b>	<b>2 , 7 4 6</b>
<b>Treasury stock at cost</b>	<b>( 0 )</b>	<b>( 0 )</b>	<b>0</b>
<b>Treasury stock owned by subsidiaries</b>	<b>( 2 0 )</b>	<b>( 2 0 )</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>9 5 1 , 2 9 8</b>	<b>3 1 6 , 2 9 3</b>	<b>6 3 5 , 0 0 5</b>
<b>Total liabilities and shareholders' equity</b>	<b>1 , 8 6 9 , 6 4 2</b>	<b>6 8 5 , 9 1 4</b>	<b>1 , 1 8 3 , 7 2 8</b>

# Consolidated Statements of Income

(Million yen; amounts less than one million yen are omitted.)

	FY2001 ( April 1, 2000 - March 31, 2001 )	FY2000 ( April 1, 1999 - March 31, 2000 )	Variance
<b>Net sales</b>	7 6 7 , 3 8 2	6 2 5 , 7 7 2	1 4 1 , 6 1 0
Cost of sales	6 6 3 , 0 1 2	5 5 7 , 5 5 3	1 0 5 , 4 5 9
<b>Gross profit</b>	1 0 4 , 3 7 0	6 8 , 2 1 8	3 6 , 1 5 2
Selling, general and administrative expenses	5 7 , 0 6 5	3 9 , 3 5 1	1 7 , 7 1 4
<b>Operating income</b>	4 7 , 3 0 4	2 8 , 8 6 7	1 8 , 4 3 7
<b>Non-operating income</b>	1 6 , 2 4 9	1 6 , 3 1 8	( 6 9 )
Interest income	4 , 2 4 1	9 0 0	3 , 3 4 1
Dividends income	6 , 9 5 7	6 , 8 6 3	9 4
Other non-operating income	5 , 0 5 1	8 , 5 5 3	( 3 , 5 0 2 )
<b>Non-operating expenses</b>	1 9 , 0 2 7	1 8 , 0 2 3	1 , 0 0 4
Interest expenses	6 , 4 4 5	2 , 5 3 1	3 , 9 1 4
Other non-operating expenses	1 2 , 5 8 2	1 5 , 4 9 1	( 2 , 9 0 9 )
<b>Ordinary income</b>	4 4 , 5 2 6	2 7 , 1 6 2	1 7 , 3 6 4
<b>Extraordinary gains</b>	1 5 , 0 8 0	-	1 5 , 0 8 0
Gain on securities contribution to employee retirement benefit trust	1 5 , 0 8 0	-	1 5 , 0 8 0
<b>Extraordinary losses</b>	2 1 , 3 8 6	-	2 1 , 3 8 6
Cumulative effect of change in accounting standards for retirement benefits	1 9 , 0 5 7	-	1 9 , 0 5 7
Provision for retirement and severance benefits for directors and corporate auditors	2 , 3 2 9	-	2 , 3 2 9
<b>Income before income taxes</b>	3 8 , 2 2 0	2 7 , 1 6 2	1 1 , 0 5 8
Income taxes—current	2 1 , 1 6 1	1 5 , 3 9 4	5 , 7 6 7
Income taxes—deferred	( 6 , 3 3 8 )	( 2 , 8 1 1 )	( 3 , 5 2 7 )
Minority interest in consolidated subsidiaries	7 5 9	8 9 3	( 1 3 4 )
<b>Net income</b>	2 2 , 6 3 7	1 3 , 6 8 6	8 , 9 5 1

Note: R&D expenses included in selling, general and administrative expenses and manufacturing cost

2 6 , 1 9 5

2 4 , 0 6 1

2 , 1 3 4

## Consolidated Statements of Shareholders' Equity

(Million yen; amounts less than one million yen are omitted.)

	FY2001 ( April 1, 2000 - March 31, 2001 )	FY2000 ( April 1, 1999 - March 31, 2000 )	Variance
<b>Balance of retained earnings at beginning of year</b>	2 1 5 , 4 6 3	2 0 5 , 7 9 4	9 , 6 6 9
Retained earnings at beginning of year	2 1 5 , 4 6 3	2 0 0 , 3 0 7	1 5 , 1 5 6
Cumulative effect of the adoption of tax effect accounting	-	5 , 4 8 7	( 5 , 4 8 7 )
<b>Increase in retained earnings</b>	-	7 0 1	( 7 0 1 )
Increase due to increase in consolidated subsidiaries	-	7 0 1	( 7 0 1 )
<b>Decrease in retained earnings</b>	4 , 7 3 2	4 , 7 1 9	1 3
Cash dividends	4 , 5 3 2	4 , 5 3 2	0
Bonuses to directors and corporate auditors	2 0 0	1 8 6	1 4
<b>Net income</b>	2 2 , 6 3 7	1 3 , 6 8 6	8 , 9 5 1
<b>Balance of retained earnings at end of year</b>	2 3 3 , 3 6 7	2 1 5 , 4 6 3	1 7 , 9 0 4

# Consolidated Statements of Cash Flows

(Million yen; amounts less than one million yen are omitted.)

	FY2001 ( April 1, 2000 - March 31, 2001 )	FY2000 ( April 1, 1999 - March 31, 2000 )	Variance
<b>Cash flows from operating activities</b>	<b>78,412</b>	<b>68,057</b>	<b>10,355</b>
Income before income taxes	38,220	27,162	11,058
Depreciation and amortization	46,454	42,751	3,703
Decrease in allowance for doubtful accounts	(128)	(35)	(93)
Interest and dividends income	(11,198)	(7,764)	(3,434)
Interest expenses	6,445	2,531	3,914
Equity in net loss of affiliates	972	5,035	(4,063)
Increase in receivables	(2,450)	(8,427)	5,977
Increase in inventories	(3,921)	(1,998)	(1,923)
Increase in payables	8,177	14,563	(6,386)
Others, net	8,914	478	8,436
Subtotal	91,484	74,296	17,188
Interest and dividends income received	11,212	7,779	3,433
Interest expenses paid	(6,155)	(2,531)	(3,624)
Income taxes paid	(18,128)	(11,486)	(6,642)
<b>Cash flows from investing activities</b>	<b>(155,870)</b>	<b>(67,186)</b>	<b>(88,684)</b>
Payments for purchases of marketable securities	(1,718)	(3,506)	1,788
Proceeds from sales of marketable securities	4,322	7,607	(3,285)
Payments for purchases of property, plant and equipment	(55,127)	(52,081)	(3,046)
Proceeds from sales of property, plant and equipment	2,383	1,147	1,236
Payments for purchases of investment securities	(9,667)	(16,100)	6,433
Proceeds from sales of investment securities	2,107	25	2,082
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	(86,136)	-	(86,136)
Payments for loans made	(3,410)	(10,502)	7,092
Proceeds from collections of loans	11,266	3,958	7,308
Payments for acquisition of business	-	(1,498)	1,498
Others, net	(19,890)	3,764	(23,654)
<b>Cash flows from financing activities</b>	<b>94,472</b>	<b>27,499</b>	<b>66,973</b>
Increase in short-term bank loans	6,883	1,933	4,950
Proceeds from issuances of commercial paper	80,000	-	80,000
Redemption of commercial paper	(80,000)	-	(80,000)
Proceeds from long-term bank loans	4,111	1,633	2,478
Repayments of long-term bank loans	(6,585)	(1,031)	(5,554)
Proceeds from issuances of bonds	39,796	29,848	9,948
Proceeds from issuances of common stock	55,228	-	55,228
Cash dividends paid	(4,533)	(4,532)	(1)
Cash dividends paid for minority shareholders	(420)	(329)	(91)
Others, net	(8)	(21)	13
<b>Translation adjustments of cash and cash equivalents</b>	<b>949</b>	<b>(1,806)</b>	<b>2,755</b>
<b>Net increase in cash and cash equivalents</b>	<b>17,964</b>	<b>26,563</b>	<b>(8,599)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>77,332</b>	<b>49,955</b>	<b>27,377</b>
<b>Increase in cash and cash equivalents due to increase in consolidated subsidiaries</b>	<b>-</b>	<b>813</b>	<b>(813)</b>
<b>Cash and cash equivalents at end of year</b>	<b>95,296</b>	<b>77,332</b>	<b>17,964</b>

Note: Breakdown of cash and cash equivalents by accounts on the consolidated balance sheets:

Cash and deposits	81,369	68,713	12,656
Marketable securities	13,927	8,619	5,308

# Basis of Presenting Consolidated Financial Statements

## 1. Scope of consolidation and equity method

### (1) Scope of consolidation

	Companies	
Consolidated subsidiaries	100	TIBC Corporation, TOYODA-SULZER MANUFACTURING LTD., ALTEX CO., LTD., Sun River Co., Ltd., IZUMI MACHINE MFG. CO., LTD., TOKYU CO., LTD., MINO TOKYU CO., LTD., Toyoda High System, Incorporated, Nishina Industrial Co., Ltd., Tokaiseiki Co., Ltd., LOGISTEC CO., LTD., SKE Inc., SK Maintenance Inc., Iwama Loom Works, Ltd., KAWAMOTO SYSTEM CORPORATION, ARTI Inc., HARA CORPORATION, Mizuho Industry Co., Ltd., Sun Valley Inc., Sun Staff, Inc., TOKAI SYSTEM INSTITUTE CORP., Shine's Inc., Toyoda International Sweden AB, BT Industries Group (63 companies), Toyota Industries North America, Inc., Toyota Industrial Equipment Mfg., Inc., Toyoda Textile Machinery, Inc., TAL Personnel Service, Inc., Toyota Material Handling USA, Inc., Michigan Automotive Compressor, Inc., TD Deutsche Klimakompressor GmbH, Kirloskar Toyoda Textile Machinery Ltd., Toyota Industry Kunshan Co., Ltd., Toyota Truck Norge Group (4 companies), Toyota Industrial Equipment, S.A.
Unconsolidated subsidiaries	2	BT Industries Group (2 companies)

### (2) Scope of equity method

	Companies	
Unconsolidated subsidiaries	2	BT Industries Group (2 companies)
Affiliates	17	ST Liquid Crystal Display Corp., TAIKOH TRANSPORTATION CO., LTD., BT Industries Group (15 companies)

## 2. Changes in scope of consolidation and equity method

### Consolidated subsidiaries

	Companies (or Company)	
(Increase)	72	ALTEX CO., LTD., Toyoda International Sweden AB, BT Industries Group (63 companies), Toyota Industries North America, Inc., TAL Personnel Service, Inc., Toyota Material Handling USA, Inc., Toyota Truck Norge Group (4 companies)
(Decrease)	1	Esaka Sports Land Co., Ltd.

### Affiliates accounted for by the equity method

	Companies	
(Increase)	17	BT Industries Group (17 companies)
(Decrease)	-	

## 3. Fiscal years of consolidated subsidiaries

(1) Some consolidated subsidiaries have a closing date other than March 31. The details are given below.

December 31 TIBC Corporation, TOYODA-SULZER MANUFACTURING LTD., Sun River Co., Ltd., IZUMI MACHINE MFG. CO., LTD., Toyoda High System, Incorporated, LOGISTEC CO., LTD., SKE Inc., SK Maintenance Inc., KAWAMOTO SYSTEM CORPORATION, ARTI Inc., HARA CORPORATION, Mizuho Industry Co., Ltd., Sun Valley Inc., Sun Staff, Inc., MINO TOKYU CO., LTD., TOKAI SYSTEM INSTITUTE CORP., Shine's Inc., Toyoda International Sweden AB, BT Industries Group (63 companies), Toyota Industries North America, Inc., Toyota Industrial Equipment Mfg., Inc., Toyoda Textile Machinery, Inc., TAL Personnel Service, Inc., Toyota Material Handling USA, Inc., Michigan Automotive Compressor, Inc., TD Deutsche Klimakompressor GmbH, Kirloskar Toyoda Textile Machinery Ltd., Toyota Industry Kunshan Co., Ltd., Toyota Truck Norge Group (4 companies), Toyota Industrial Equipment, S.A.

(2) The consolidated financial statements were prepared based on financial statements as of the closing date of each company.

#### 4. Significant accounting policies

##### (1) Valuation of significant assets

###### a. Marketable securities

Trading securities	.... Not applicable.
Held-to-maturity securities	.... Not applicable.
Other securities with fair values	.... Fair value method using market price at the end of year (Unrealized gains and losses are recorded as a portion of shareholders' equity. Cost of sales of such securities is determined by the moving average method.)
Other securities without fair values	.... At cost determined by the moving average method

###### b. Inventories

.... Mainly at cost determined by the moving average method

##### (2) Depreciation and amortization of fixed assets

Depreciation of property, plant and equipment is computed mainly by the declining-balance method. Amortization of software (intangible assets) is computed by the straight-line method.

##### (3) Significant allowances

- Allowance for doubtful accounts is recorded at an amount sufficient to cover possible losses on collection, which are estimated by examining uncollectible amounts individually for receivables that seem to be uncollectible and by using such factors as percentage of historical collection experiences for the remaining receivables.
- For the purpose of preparation for future payments of employees' retirement benefits, allowance for retirement benefits is recorded at the amount which is considered to be incurred in the period based on the estimated benefit obligations and estimated pension assets at the end of year. To provide for the retirement benefits for directors and corporate auditors, an amount which is required at the end of year by an internal rule describing the retirement benefits for directors is accrued.

##### (4) Translation of assets and liabilities in foreign currencies

For translation of assets and liabilities in foreign currencies, the "Accounting Standards for Foreign Currency Transactions" is applied.

##### (5) Accounting for significant lease transactions

Financing 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.

##### (6) Hedge accounting method

Mainly, effect of change in fair value of derivatives is accounted as deferred assets and liabilities or reflected on underlying assets and liabilities. In FY2001, foreign currency forward contracts are used for hedging risk of change in foreign exchange rate relating to accounts receivables.

##### (7) Other significant accounting policies for preparing consolidated financial statements

The consumption tax withheld is not included in the amounts of respective revenue and cost or expense items and are recorded as assets or liabilities.

#### 5. Valuation of assets and liabilities of consolidated subsidiaries

Assets and liabilities of consolidated subsidiaries are evaluated using fair values at acquisition date.

#### 6. Amortization of 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.

#### 7. Appropriation of retained earnings

In the consolidated statements of shareholders' equity, the approved amount during the relevant fiscal year is reflected for the appropriation of retained earnings of consolidated subsidiaries.

#### 8. Scope of cash and cash equivalents on the consolidated statements of cash flows

Cash and cash equivalents on the consolidated statements of cash flows include cash on hand, bank deposits to be withdrawn at any time and short-term investments 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.

## Change in accounting policies

TAL'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 FY2001, these expenses are accrued based on the directors' retirement benefit rule. Compared to the previous method, "operating income" and "ordinary income" decreased by 195 million yen and "Income before income taxes" decreased by 2,524 million yen.

## Additional Information

### (Accounting for Retirement Benefits)

Effective for FY2001, the new accounting standards for retirement benefits ("Suggested Report Concerned Establishment of Accounting Standards for Retirement Benefits" (Business Accounting Deliberation Council; June 16, 1998)) have been applied. As a result, "operating income" and "ordinary income" decreased by 1,004 million yen and "income before income taxes" decreased by 4,981 million yen. Also, "cumulative effect of change in accounting standards for retirement benefits" of 19,057 million yen was charged to income and recorded as an extraordinary loss, and "gain on securities contribution to employee retirement benefit trust" of 15,080 million yen 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.

### (Accounting for Financial Instruments)

Effective for FY2001, the new accounting standards for financial instruments ("Suggested Report Concerned Establishment of Accounting Standards for Financial Instruments" (Business Accounting Deliberation Council; January 22, 1999)) have been applied. As a result, "ordinary income" and "income before income taxes" increased by 358 million yen. At the beginning of FY2001, TOYODA reviewed the holding purposes of the securities it owns. Then 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 yen and "investment in securities" increased by the same amount.

### (Accounting Standards for Foreign Currency Transactions)

Effective for FY2001, the amended accounting standards for foreign currency transactions ("Suggested Report Concerned Amendment of Accounting Standards for Foreign Currency Transactions" (Business Accounting Deliberation Council; October 22, 1999)) have been applied. Neither profits nor losses are resulted from this change. Effective for FY2001, 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 the Consolidated Financial Statements.

# Segment Information

## 1. Business segments

(1) FY2001 (April 1, 2000 - March 31, 2001)

(Million yen; amounts less than one million yen are omitted.)

	Automobile	Materials Handling Equipment	Textile Machinery	Others	Total	Elimination or corporate	Consolidated
<b>Net sales</b>							
(1) Sales to external customers	457,631	236,501	33,237	40,011	767,382	-	767,382
(2) Inter-segment sales and transfers	4,096	-	-	4,531	8,628	(8,628)	-
<b>Total</b>	<b>461,727</b>	<b>236,501</b>	<b>33,237</b>	<b>44,543</b>	<b>776,010</b>	<b>(8,628)</b>	<b>767,382</b>
<b>Operating costs and expenses</b>	<b>433,202</b>	<b>221,955</b>	<b>33,202</b>	<b>40,177</b>	<b>728,538</b>	<b>(8,460)</b>	<b>720,078</b>
<b>Operating income (loss)</b>	<b>28,525</b>	<b>14,546</b>	<b>34</b>	<b>4,365</b>	<b>47,472</b>	<b>(168)</b>	<b>47,304</b>
<b>Assets</b>	<b>282,503</b>	<b>270,974</b>	<b>25,404</b>	<b>15,487</b>	<b>594,370</b>	<b>1,275,271</b>	<b>1,869,642</b>
<b>Depreciation and amortization</b>	<b>31,764</b>	<b>10,766</b>	<b>1,034</b>	<b>3,070</b>	<b>46,635</b>	<b>(181)</b>	<b>46,454</b>
<b>Capital expenditures</b>	<b>54,734</b>	<b>70,672</b>	<b>320</b>	<b>2,311</b>	<b>128,038</b>	<b>(765)</b>	<b>127,273</b>

(2) FY2000 (April 1, 1999 - March 31, 2000)

(Million yen; amounts less than one million yen are omitted.)

	Automobile	Materials Handling Equipment	Textile Machinery	Others	Total	Elimination or corporate	Consolidated
<b>Net sales</b>							
(1) Sales to external customers	423,413	149,084	23,134	30,140	625,772	-	625,772
(2) Inter-segment sales and transfers	3,335	-	-	2,613	5,948	(5,948)	-
<b>Total</b>	<b>426,748</b>	<b>149,084</b>	<b>23,134</b>	<b>32,753</b>	<b>631,721</b>	<b>(5,948)</b>	<b>625,772</b>
<b>Operating costs and expenses</b>	<b>402,319</b>	<b>143,335</b>	<b>26,106</b>	<b>32,001</b>	<b>603,762</b>	<b>(6,856)</b>	<b>596,905</b>
<b>Operating income (loss)</b>	<b>24,428</b>	<b>5,749</b>	<b>(2,971)</b>	<b>752</b>	<b>27,958</b>	<b>908</b>	<b>28,867</b>
<b>Assets</b>	<b>266,838</b>	<b>81,342</b>	<b>23,427</b>	<b>18,011</b>	<b>389,620</b>	<b>296,293</b>	<b>685,914</b>
<b>Depreciation and amortization</b>	<b>31,707</b>	<b>7,750</b>	<b>978</b>	<b>2,397</b>	<b>42,833</b>	<b>(82)</b>	<b>42,751</b>
<b>Capital expenditures</b>	<b>33,057</b>	<b>5,426</b>	<b>1,041</b>	<b>5,794</b>	<b>45,320</b>	<b>(574)</b>	<b>44,746</b>

Notes: 1. Business segments are divided by the type and nature of the product.

2. 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-type plastic package substrates for IC chipsets, casting machines

3. Corporate assets included in "Elimination or corporate" are mainly cash and deposits, marketable securities and investments in securities of TAL.

4. Effective for FY2001, the new accounting standards for retirement benefits have been applied. Consequently, operating costs and expenses increased by 720 million yen for "Automobile", 196 million yen for "Materials Handling Equipment", 41 million yen for "Textile Machinery" and 45 million yen for "Others", respectively, and operating income for each segment decreased by the same amount.

5. Effective for FY2001, allowance for retirement and severance benefits for directors and corporate auditors have been recorded. Consequently, operating costs and expenses increased by 145 million yen for "Automobile", 37 million yen for "Materials Handling Equipment", 9 million yen for "Textile Machinery" and 3 million yen for "Others", respectively, and operating income for each segment decreased by the same amount.

6. Effective for FY2001, the new accounting standards for financial instruments have been applied. Consequently, assets increased by 40 million yen for "Materials Handling Equipment" and 942,594 million yen for "Elimination or corporate".

## 2. Geographical segments

(1) FY2001 (April 1, 2000 - March 31, 2001)

(Million yen; amounts less than one million yen are omitted.)

	Japan	North America	Europe	Others	Total	Elimination or corporate	Consolidated
<b>Net sales</b>							
(1) Sales to external customers	586,086	123,355	55,826	2,113	767,382	-	767,382
(2) Inter-segment sales and transfers	31,769	336	748	477	33,333	(33,333)	-
<b>Total</b>	<b>617,856</b>	<b>123,692</b>	<b>56,574</b>	<b>2,591</b>	<b>800,715</b>	<b>(33,333)</b>	<b>767,382</b>
<b>Operating costs and expenses</b>	<b>577,380</b>	<b>118,422</b>	<b>53,723</b>	<b>2,840</b>	<b>752,367</b>	<b>(32,289)</b>	<b>720,078</b>
<b>Operating income (loss)</b>	<b>40,475</b>	<b>5,269</b>	<b>2,851</b>	<b>(248)</b>	<b>48,348</b>	<b>(1,043)</b>	<b>47,304</b>
<b>Assets</b>	<b>460,474</b>	<b>126,519</b>	<b>158,351</b>	<b>4,987</b>	<b>750,332</b>	<b>1,119,310</b>	<b>1,869,642</b>

(2) FY2000 (April 1, 1999 - March 31, 2000)

(Million yen; amounts less than one million yen are omitted.)

	Japan	North America	Others	Total	Elimination or corporate	Consolidated
<b>Net sales</b>						
(1) Sales to external customers	531,273	79,231	15,267	625,772	-	625,772
(2) Inter-segment sales and transfers	25,309	-	589	25,898	(25,898)	-
<b>Total</b>	<b>556,583</b>	<b>79,231</b>	<b>15,857</b>	<b>651,671</b>	<b>(25,898)</b>	<b>625,772</b>
<b>Operating costs and expenses</b>	<b>533,987</b>	<b>74,546</b>	<b>15,358</b>	<b>623,892</b>	<b>(26,986)</b>	<b>596,905</b>
<b>Operating income (loss)</b>	<b>22,595</b>	<b>4,684</b>	<b>499</b>	<b>27,779</b>	<b>1,087</b>	<b>28,867</b>
<b>Assets</b>	<b>361,459</b>	<b>44,034</b>	<b>17,322</b>	<b>422,815</b>	<b>263,098</b>	<b>685,914</b>

Notes: 1. Corporate assets included in "Elimination or corporate" are mainly cash and deposits, marketable securities and investments in securities of TAL.

2. Effective for FY2001, "Europe" has been separated from "Others" because business there increased in importance.

3. Effective for FY2001, the new accounting standards for retirement benefits have been applied. Consequently, operating costs and expenses of "Japan" increased by 1,004 million and operating income of "Japan" decreased by the same amount.

4. Effective for FY2001, allowance for retirement and severance benefits for directors and corporate auditors have been recorded. Consequently, operating costs and expenses of "Japan" increased by 195 million yen and operating income of "Japan" decreased by the same amount.

5. Effective for FY2001, the new accounting standards for financial instruments have been applied. Consequently, assets increased by 40 million yen for "Japan" and 942,594 million yen for "Elimination or corporate".

## 3. Overseas sales

(1) FY2001 (April 1, 2000 - March 31, 2001)

(Million yen; amounts less than one million yen are omitted.)

	North America	Europe	Others	Total
<b>Overseas sales</b>	<b>140,161</b>	<b>102,665</b>	<b>55,967</b>	<b>298,794</b>
<b>Total sales</b>				<b>767,382</b>
Ratio of overseas sales to consolidated sales	18.2%	13.4%	7.3%	38.9%

(2) FY2000 (April 1, 1999 - March 31, 2000)

(Million yen; amounts less than one million yen are omitted.)

	North America	Others	Total
<b>Overseas sales</b>	<b>90,314</b>	<b>101,677</b>	<b>191,992</b>
<b>Total sales</b>			<b>625,772</b>
Ratio of overseas sales to consolidated sales	14.4%	16.3%	30.7%

Note: Effective for FY2001, "Europe" has been separated from "Others" because business there increased in importance.

# Lease Transactions

## 1. As a lessee

(1) Finance leases 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 under finance leases as of the end of the years

(Million yen; amounts less than one million yen are omitted.)

	FY2001			FY2000		
	Acquisition cost equivalents	Accumulated depreciation equivalents	Net leased properties	Acquisition cost equivalents	Accumulated depreciation equivalents	Net leased properties
Machinery, equipment and vehicles	2,339	909	1,429	2,214	533	1,680
Tools, furniture and fixture	4,660	2,228	2,431	5,506	3,051	2,454
Total	6,999	3,138	3,861	7,720	3,585	4,134

Note: 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 year-ends is immaterial.

(b) Pro forma information regarding future minimum lease payments as of the end of the years

(Million yen; amounts less than one million yen are omitted.)

	FY2001	FY2000
Due within 1 year	1,302	1,500
Due after 1 year	2,558	2,634
Total	3,861	4,134

Note: Future minimum lease payments under finance include the imputed interest expenses portion because the percentage which is computed by dividing future minimum lease payments by total balance of property, plant and equipment, etc., at year-ends is immaterial.

(c) Total lease payments and pro forma depreciation expenses for the years

(Million yen; amounts less than one million yen are omitted.)

	FY2001	FY2000
Total lease payments	1,505	1,749
Pro forma depreciation expenses	1,505	1,749

(d) Calculation method of pro forma depreciation expenses

Pro forma depreciation expenses are computed mainly by the straight-line method which assumes zero residual value and leasing term to be useful lives for the years, and are equivalent to the amount of total lease payments.

(2) Pro forma future lease payments under operating leases as of the end of the years

(Million yen; amounts less than one million yen are omitted.)

	FY2001	FY2000
Due within 1 year	5,116	203
Due after 1 year	9,542	164
Total	14,659	368

## 2. As a lessor

(1) Pro forma future lease payments under operating leases as of the end of the years

(Million yen; amounts less than one million yen are omitted.)

	FY2001	FY2000
Due within 1 year	1,455	-
Due after 1 year	7,717	-
Total	9,172	-

## Related Party Transactions

### Parent company and main institutional shareholder

Attribution	Company name	Address	Capital (Million yen)	Line of business	Voting right (Owned)	Contents of relation		Contents of Transaction	Transaction amount (Million yen)	Accounts	Balance at end of year (Million yen)
						Concurrently serving of directors etc.	Relation of businesses				
Other affiliate	Toyota Motor Corporation	Toyota, Aichi, Japan	397,049	Manufacturing and sales of automobiles, relating parts and others	(Owned) Direct: 24.67%	Concurrently serving: 3 directors  Transferred: 7 directors	Sales of automobiles, engines and materials handling equipment products	Sales of automobiles, engines and materials handling equipment	425,376	Trade accounts receivable	35,483
								Purchases of automobiles', engines' and materials handling equipment's parts	195,514	Trade accounts payable	17,937
								Payments of sales costs	3,874	Accrued expenses	276
								Purchases of shares less than one unit	810	Other payables	-

## Marketable Securities

### 1. Held-to-maturity securities with fair value

Not applicable.

### 2. Other securities with fair value

(Million yen; amounts less than one million yen are omitted.)

	FY2001 (As of March 31, 2001)		
	Acquisition cost	Carrying amount	Difference
(1) Stocks	167,371	1,117,736	950,364
(2) Bonds			
Government and municipal bonds, etc.	0	0	-
Corporate bonds	16,199	16,197	(1)
Other bonds	2	2	-
(3) Other	720	720	-
Total	184,294	1,134,657	950,363

### 3. Contents and carrying amount of main "securities" not practicable to fair value (excluding securities falling into category 1. above-mentioned)

(1) Held-to-maturity securities

Not applicable.

(2) Other securities

Million yen

    Domestic unlisted stocks excluding over-the-counter stocks

12,643

    Commercial paper used in repurchase agreements

3,999

    Bonds used in repurchase agreements

1,999

    Money management funds

340

    Foreign unlisted bonds

310

## Fair Value and Other Information of Marketable Securities

(Million yen; amounts less than one million yen are omitted.)

	FY2000 (As of March 31, 2000)		
	Carrying amount	Fair value	Unrealized gains (losses)
(1) Current:			
Stocks	392	1,255	863
Bonds	2	2	0
Other	-	-	-
Subtotal	394	1,258	863
(2) Non-current			
Stocks	162,983	1,323,286	1,160,303
Bonds	2,000	1,996	(3)
Others	50	50	0
Subtotal	165,033	1,325,333	1,160,300
Total	165,427	1,326,591	1,161,164

Notes: 1. The following methods are used to determine fair value.

    Listed securities: mainly closing prices on Tokyo Stock Exchanges

    Unlisted bonds: prices after adjustment (interest rate or differences in the remaining period of redemption) made on the standard quotation prices of over-the-counter standard bonds announced by Japan Securities Dealers' Association.

2. Book value of the securities excluded from disclosure above

Million yen

    (Current) Bonds used in repurchase agreements

3,993

    Commercial paper used in repurchase agreements

3,993

    Discount bank debenture

3,491

    Foreign unlisted bonds

809

    Money management funds

632

    (Non-current) Domestic unlisted stocks excluding over-the-counter stocks

22,856

    Foreign unlisted bonds

3,310

## Derivative Transaction

Not applicable.

# Non-consolidated Balance Sheets

(Million yen; amounts less than one million yen are omitted.)

	FY2001 (As of March 31, 2001)	FY2000 (As of March 31, 2000)	Variance
<b>Assets</b>			
<b>Current assets</b>	<b>1 9 6 , 9 1 0</b>	<b>1 6 5 , 5 5 8</b>	<b>3 1 , 3 5 2</b>
Cash and deposits	7 9 , 6 5 1	5 8 , 6 4 5	2 1 , 0 0 6
Trade notes receivable	3 , 4 0 7	2 , 4 1 8	9 8 9
Trade accounts receivable	5 6 , 4 1 9	5 6 , 1 4 0	2 7 9
Marketable securities	1 6 , 7 0 1	1 2 , 4 3 4	4 , 2 6 7
Finished goods	8 8 1	1 , 3 3 8	( 4 5 7 )
Raw materials	2 4 6	1 7 6	7 0
Work in process	1 3 , 8 7 4	1 1 , 9 6 8	1 , 9 0 6
Supplies	2 , 3 0 8	2 , 2 7 3	3 5
Prepaid expenses	2 2 4	1 2 1	1 0 3
Deferred tax assets	7 , 2 6 0	4 , 7 3 5	2 , 5 2 5
Other receivables	1 0 , 4 4 3	1 0 , 0 0 9	4 3 4
Other current assets	5 , 7 0 7	5 , 7 1 3	( 6 )
Less—allowance for doubtful accounts	( 2 1 7 )	( 4 1 7 )	2 0 0
<b>Fixed assets</b>	<b>1 , 5 0 3 , 6 2 7</b>	<b>4 6 3 , 3 2 7</b>	<b>1 , 0 4 0 , 3 0 0</b>
<b>Property, plant and equipment</b>	<b>2 0 9 , 0 5 5</b>	<b>2 0 2 , 5 8 1</b>	<b>6 , 4 7 4</b>
Buildings	5 8 , 5 6 0	6 0 , 0 0 7	( 1 , 4 4 7 )
Structures	5 , 9 5 8	6 , 0 5 3	( 9 5 )
Machinery and equipment	9 3 , 7 2 0	9 3 , 0 5 9	6 6 1
Vehicles and delivery equipment	9 5 0	9 1 6	3 4
Tools, furniture and fixture	8 , 8 4 6	9 , 8 8 7	( 1 , 0 4 1 )
Land	3 0 , 7 1 3	2 8 , 1 2 9	2 , 5 8 4
Construction in progress	1 0 , 3 0 5	4 , 5 2 9	5 , 7 7 6
<b>Intangible assets</b>	<b>1 , 3 8 4</b>	<b>1 , 3 6 5</b>	<b>1 9</b>
Software	1 , 3 8 4	1 , 3 6 5	1 9
<b>Investments and other assets</b>	<b>1 , 2 9 3 , 1 8 7</b>	<b>2 5 9 , 3 8 1</b>	<b>1 , 0 3 3 , 8 0 6</b>
Investments in securities	1 , 1 5 1 , 5 8 7	1 9 7 , 8 3 9	9 5 3 , 7 4 8
Investments in subsidiaries	1 2 5 , 5 8 7	3 4 , 2 1 1	9 1 , 3 7 6
Long-term loans	6 , 7 0 7	1 6 , 0 6 3	( 9 , 3 5 6 )
Long-term prepaid expenses	3 , 5 7 9	1 , 2 9 7	2 , 2 8 2
Deferred tax assets	-	4 , 3 3 5	( 4 , 3 3 5 )
Other investments and other assets	5 , 7 4 6	5 , 6 9 3	5 3
Less—allowance for doubtful accounts	( 1 9 )	( 5 8 )	3 9
<b>Total assets</b>	<b>1 , 7 0 0 , 5 3 8</b>	<b>6 2 8 , 8 8 6</b>	<b>1 , 0 7 1 , 6 5 2</b>

- Notes: 1. Accumulated depreciation of property, plant and equipment
- |  |               |               |             |
|--|---------------|---------------|-------------|
|  | 3 2 1 , 3 6 0 | 3 0 3 , 9 8 5 | 1 7 , 3 7 5 |
|--|---------------|---------------|-------------|
2. Contingent liabilities
- |  |           |           |       |
|--|-----------|-----------|-------|
|  | 3 , 7 0 0 | 3 , 3 0 5 | 3 9 5 |
|--|-----------|-----------|-------|
3. Number of shares of treasury stock
- |  |           |            |              |
|--|-----------|------------|--------------|
|  | 93 shares | 436 shares | (343) shares |
|--|-----------|------------|--------------|
- Amount of treasury stock
- |  |   |   |       |
|--|---|---|-------|
|  | 0 | 0 | ( 0 ) |
|--|---|---|-------|
4. Number of shares issued and outstanding at end of year
- |  |                    |                    |                   |
|--|--------------------|--------------------|-------------------|
|  | 313,296,225 shares | 283,296,225 shares | 30,000,000 shares |
|--|--------------------|--------------------|-------------------|
5. Provision for retirement and severance benefits for directors and corporate auditors of 2,524 million yen is contained in allowance for retirement benefits in FY2001.

(Million yen; amounts less than one million yen are omitted.)

	FY2001 (As of March 31, 2001)	FY2000 (As of March 31, 2000)	Variance
<b>Liabilities</b>			
<b>Current liabilities</b>	<b>1 3 2 , 9 3 7</b>	<b>1 1 8 , 9 0 7</b>	<b>1 4 , 0 3 0</b>
Trade notes payable	4 , 4 0 8	3 , 4 5 5	9 5 3
Trade accounts payable	6 6 , 6 5 9	6 4 , 3 9 3	2 , 2 6 6
Other payables	1 5 , 2 0 8	9 , 4 9 2	5 , 7 1 6
Accrued expenses	1 8 , 0 0 3	1 6 , 2 5 0	1 , 7 5 3
Accrued income taxes	1 0 , 3 6 8	7 , 4 7 8	2 , 8 9 0
Advance received	1 1 1	-	1 1 1
Deposits received	5 7 3	4 6 0	1 1 3
Deposits received from employees	1 7 , 6 0 5	1 7 , 3 7 6	2 2 9
<b>Long-term liabilities</b>	<b>6 1 9 , 7 7 5</b>	<b>1 9 2 , 5 7 9</b>	<b>4 2 7 , 1 9 6</b>
Straight bonds	1 4 0 , 0 0 0	1 0 0 , 0 0 0	4 0 , 0 0 0
Convertible bonds	7 5 , 7 4 8	7 5 , 7 4 8	-
Deferred tax liabilities	3 8 3 , 6 6 5	-	3 8 3 , 6 6 5
Allowance for retirement and severance benefits	-	1 6 , 8 1 5	( 1 6 , 8 1 5 )
Allowance for retirement benefits	2 0 , 3 4 5	-	2 0 , 3 4 5
Other long-term liabilities	1 6	1 6	-
<b>Total liabilities</b>	<b>7 5 2 , 7 1 3</b>	<b>3 1 1 , 4 8 7</b>	<b>4 4 1 , 2 2 6</b>
<b>Shareholders' equity</b>			
<b>Common stock</b>	<b>6 8 , 0 1 8</b>	<b>4 0 , 1 7 8</b>	<b>2 7 , 8 4 0</b>
<b>Statutory reserves</b>	<b>9 8 , 5 5 7</b>	<b>7 0 , 7 1 7</b>	<b>2 7 , 8 4 0</b>
Capital surplus	8 8 , 5 1 2	6 0 , 6 7 2	2 7 , 8 4 0
Legal reserve	1 0 , 0 4 4	1 0 , 0 4 4	-
<b>Retained earnings</b>	<b>2 2 2 , 6 1 8</b>	<b>2 0 6 , 5 0 3</b>	<b>1 6 , 1 1 5</b>
Reserve for special depreciation	6 3	2 0	4 3
Reserve for reduction of acquisition cost of fixed assets	1 6 6	1 7 7	( 1 1 )
General reserves	1 7 0 , 0 0 0	1 7 0 , 0 0 0	-
Unappropriated retained earnings at end of year	5 2 , 3 8 8	3 6 , 3 0 5	1 6 , 0 8 3
<Including net income for year>	< 2 0 , 8 3 1 >	< 1 7 , 1 7 0 >	< 3 , 6 6 1 >
<b>Net unrealized gains on other securities</b>	<b>5 5 8 , 6 3 1</b>	-	<b>5 5 8 , 6 3 1</b>
<b>Total shareholders' equity</b>	<b>9 4 7 , 8 2 5</b>	<b>3 1 7 , 3 9 9</b>	<b>6 3 0 , 4 2 6</b>
<b>Total liabilities and shareholders' equity</b>	<b>1 , 7 0 0 , 5 3 8</b>	<b>6 2 8 , 8 8 6</b>	<b>1 , 0 7 1 , 6 5 2</b>

# Non-consolidated Statements of Income

(Million yen; amounts less than one million yen are omitted.)

	FY2001 ( April 1, 2000 - March 31, 2001 )	FY2000 ( April 1, 1999 - March 31, 2000 )	Variance
<b>Ordinary profits and losses</b>			
<b>Operating revenue and expenses</b>			
<b>Operating revenue</b>	5 7 5 , 5 5 8	5 2 1 , 5 0 2	5 4 , 0 5 6
Net sales	5 7 5 , 5 5 8	5 2 1 , 5 0 2	5 4 , 0 5 6
<b>Operating expenses</b>	5 3 8 , 7 3 7	4 9 8 , 9 9 4	3 9 , 7 4 3
Cost of sales	5 0 7 , 0 1 1	4 6 9 , 2 7 2	3 7 , 7 3 9
Selling, general and administrative expenses	3 1 , 7 2 5	2 9 , 7 2 1	2 , 0 0 4
<b>Operating income</b>	3 6 , 8 2 1	2 2 , 5 0 8	1 4 , 3 1 3
<b>Non-operating income and expenses</b>			
<b>Non-operating income</b>	1 3 , 1 1 1	1 7 , 2 9 4	( 4 , 1 8 3 )
Interest income	5 6 6	5 3 1	3 5
Dividends income	7 , 7 7 9	7 , 7 1 6	6 3
Other non-operating income	4 , 7 6 5	9 , 0 4 6	( 4 , 2 8 1 )
<b>Non-operating expenses</b>	1 2 , 8 8 9	1 3 , 6 8 2	( 7 9 3 )
Interest expenses	2 , 8 7 4	2 , 2 6 4	6 1 0
Other non-operating expenses	1 0 , 0 1 4	1 1 , 4 1 7	( 1 , 4 0 3 )
<b>Ordinary income</b>	3 7 , 0 4 3	2 6 , 1 2 0	1 0 , 9 2 3
<b>Extraordinary gains and losses</b>			
<b>Extraordinary gains</b>	1 5 , 0 8 0	-	1 5 , 0 8 0
Gain on securities contribution to employee retirement benefit trust	1 5 , 0 8 0	-	1 5 , 0 8 0
<b>Extraordinary losses</b>	2 0 , 1 7 7	-	2 0 , 1 7 7
Cumulative effect of change in accounting standards for retirement benefits	1 7 , 8 4 8	-	1 7 , 8 4 8
Provision for retirement and severance benefits for directors and corporate auditors	2 , 3 2 9	-	2 , 3 2 9
<b>Income before income taxes</b>	3 1 , 9 4 5	2 6 , 1 2 0	5 , 8 2 5
Income taxes—current	1 7 , 0 6 0	1 2 , 6 4 0	4 , 4 2 0
Income taxes—deferred	( 5 , 9 4 5 )	( 3 , 6 9 0 )	( 2 , 2 5 5 )
<b>Net income</b>	2 0 , 8 3 1	1 7 , 1 7 0	3 , 6 6 1
Unappropriated retained earnings brought forward	3 3 , 8 2 3	1 5 , 8 8 1	1 7 , 9 4 2
Cumulative adjustments of adoption of new accounting rule for deferred taxes	-	5 , 3 8 0	( 5 , 3 8 0 )
Reversal of reserve for special depreciation due to an adoption of tax effect accounting	-	1 4	( 1 4 )
Reversal of reserve for reduction of acquisition cost of fixed assets due to an adoption of tax effect accounting	-	1 2 4	( 1 2 4 )
Interim cash dividend	2 , 2 6 6	2 , 2 6 6	0
<b>Unappropriated retained earnings at end of year</b>	5 2 , 3 8 8	3 6 , 3 0 5	1 6 , 0 8 3

# Proposed Appropriation of Non-consolidated Retained Earnings

(Million yen; amounts less than one million yen are omitted.)

	FY2001	FY2000	Variance
Unappropriated retained earnings at end of year	5 2 , 3 8 8	3 6 , 3 0 5	1 6 , 0 8 3
Reversal of reserve for special depreciation	1 4	7	7
Reversal of reserve for reduction of acquisition cost of fixed assets	9	1 0	( 1 )
Total	5 2 , 4 1 2	3 6 , 3 2 3	1 6 , 0 8 9
The above will be appropriated as follows:			
Legal reserve	6 , 9 6 0	-	6 , 9 6 0
Cash dividends	2 , 8 1 9	2 , 2 6 6	5 5 3
	< 9.00 yen per share >	< 8.00 yen per share >	
Bonuses to directors	1 8 7	1 7 0	1 7
Bonuses to corporate auditors	2 1	1 4	7
Reserve for special depreciation	7 7	4 9	2 8
General reserves	1 0 , 0 0 0	-	1 0 , 0 0 0
Unappropriated retained earnings to be carried forward	3 2 , 3 4 7	3 3 , 8 2 3	( 1 , 4 7 6 )

Note: On November 27, 2000, an interim cash dividend of 8.00 yen per share, or a total of 2,266 million yen was paid.

## Change in accounting policies

TAL'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 FY2001, these expenses are accrued based on the directors' retirement benefit rule. Compared to the previous method, "operating income" and "ordinary income" decreased by 195 million yen and "Income before income taxes" decreased by 2,524 million yen.

## Additional Information

### (Accounting for Retirement Benefits)

Effective for FY2001, the new accounting standards for retirement benefits ("Suggested Report Concerned Establishment of Accounting Standards for Retirement Benefits" (Business Accounting Deliberation Council; June 16, 1998)) have been applied. As a result, "operating income" and "ordinary income" decreased by 717 million yen and "income before income taxes" decreased by 3,485 million yen. Also, "cumulative effect of change in accounting standards for retirement benefits" of 17,848 million yen was charged to income and recorded as an extraordinary loss, and "gain on securities contribution to employee retirement benefit trust" of 15,080 million yen 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.

### (Accounting for Financial Instruments)

Effective for FY2001, the new accounting standards for financial instruments ("Suggested Report Concerned Establishment of Accounting Standards for Financial Instruments" (Business Accounting Deliberation Council; January 22, 1999)) have been applied. As a result, "ordinary income" and "income before income taxes" increased by 352 million yen. At the beginning of FY2001, TAL reviewed the holding purposes of the securities it owns. Then 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 356 million yen and "investment in securities" increased by the same amount.

### (Accounting Standards for Foreign Currency Transactions)

Effective for FY2001, the amended accounting standards for foreign currency transactions ("Suggested Report Concerned Amendment of Accounting Standards for Foreign Currency Transactions" (Business Accounting Deliberation Council; October 22, 1999)) have been applied. Neither profits nor losses resulted from this change.