TOYOTA

Annual Financial Report 2017

For the Year Ended March 31, 2017

TOYOTA INDUSTRIES CORPORATION

Financial Summary

Toyota Industries Corporation and its consolidated subsidiaries

< IFRS >

	Date of transition to IFRS	FY2016	FY2017
Net sales (Millions of yen)	—	1,696,856	1,675,148
Operating profit (Millions of yen)	—	137,026	127,345
Profit (Millions of yen)	—	199,956	137,565
Profit: attributable to owners of the parent (Millions of yen)	—	194,270	131,398
Comprehensive income (Millions of yen)	—	(253,021)	202,743
Share of equity attributable to owners of the parent (Millions of yen)	2,391,330	2,098,658	2,240,293
Total assets (Millions of yen)	4,749,415	4,317,282	4,558,212
Equity per share: attributable to owners of the parent (Yen)	7,611.92	6,678.80	7,215.37
Earnings per share- basic (Yen)	—	618.34	420.78
Earnings per share- diluted (Yen)	—	618.33	—
Equity attributable to owners of the parent ratio (%)	50.35	48.61	49.15
Return on equity attributable to owners of the parent (%)	—	8.65	6.06
Price-to-earnings ratio (Times)	—	8.18	13.14
Net cash provided by operating activities (Millions of yen)	—	248,049	239,094
Net cash used in investing activities (Millions of yen)	—	(532,238)	(86,925)
Net cash provided by financing activities (Millions of yen)	—	124,495	789
Cash and cash equivalents at end of period (Millions of yen)	248,706	92,399	243,685
Number of employees	52,523	51,458	52,623

(Notes) 1. Toyota Industries Corporation and its subsidiaries have adopted International Financial Reporting Standards ("IFRS") for the consolidated financial statements of the annual report from the fiscal year ending March 31, 2017. The date of transition to IFRS is April 1, 2015.

(Notes) 2. Amounts for diluted earnings per share are not presented for FY2017 because there are no shares with a potentially dilutive effect.

< Japanese GAAP >

	FY2013	FY2014	FY2015	FY2016	FY2017
Net sales (Millions of yen)	1,615,244	2,007,856	2,166,661	2,243,220	2,250,466
Ordinary profit (Millions of yen)	86,836	138,133	170,827	185,398	177,121
Profit: attributable to owners of the parent (Millions of yen)	53,119	91,705	115,263	183,036	125,534
Comprehensive income (Millions of yen)	349,283	321,206	629,626	(277,053)	198,548
Total equity (Millions of yen)	1,524,933	1,829,326	2,425,929	2,113,948	2,256,271
Total assets (Millions of yen)	3,243,779	3,799,010	4,650,896	4,199,196	4,428,644
Equity per share (Yen)	4,719.66	5,640.08	7,500.16	6,481.97	6,995.47
Earnings per share- basic (Yen)	170.36	146.27	367.06	582.58	402.00
Earnings per share- diluted (Yen)	170.35	146.22	366.99	582.57	—
Equity-to-total capital ratio (%)	45.43	46.58	50.66	48.50	49.04
Return on equity (%)	4.06	5.66	5.59	8.33	5.97
Price-to-earnings ratio (Times)	20.13	16.94	18.74	8.69	13.76
Net cash provided by operating activities (Millions of yen)	151,299	155,059	182,191	240,169	245,602
Net cash used in investing activities (Millions of yen)	(274,210)	(118,483)	(160,769)	(531,561)	(82,509)
Net cash provided by (used in) by financing activities (Millions of yen)	7,050	6,183	(8,918)	130,923	(6,615)
Cash and cash equivalents at end of period (Millions of yen)	179,359	226,406	248,706	92,399	243,685
Number of employees	47,412	49,333	52,523	51,458	52,623

(Notes) 1. Certain FY2016 amounts have been reclassified to conform to the presentations of FY2017.

(Notes) 2. Amounts for diluted earnings per share are not presented for FY2017 because there are no shares with a potentially dilutive effect.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations are based on information known to management as of June 2017.

This section contains projections and forward-looking statements that involve risks, uncertainties and assumptions. You should be aware that certain risks and uncertainties could cause the actual results of Toyota Industries Corporation and its consolidated subsidiaries to differ materially from any projections or forward-looking statements. These risks and uncertainties include, but are not limited to, those listed under "Risk Information" and elsewhere in this annual report.

The fiscal year ended March 31, 2017 is referred to as fiscal 2017 and other fiscal years are referred to in a corresponding manner. All references to the "Company" herein are to Toyota Industries Corporation on a stand-alone basis and references to "Toyota Industries" herein are to the Company and its 207 consolidated subsidiaries.

1. Result of Operations

(1) Operating Performance

In fiscal 2017 (ended March 31, 2017), the global economy mildly expanded underpinned by monetary and financial policies in respective countries despite a deceleration of the Chinese economy and the anticipated impact of the U.K.'s decision to leave the EU. The Japanese economy continued to grow, albeit incrementally, due mainly to increases in capital investment and exports as well as a recovery in consumer spending. In this operating environment, Toyota Industries undertook efforts to ensure customer trust through a dedication to quality as well as to expand sales by responding flexibly to market trends.

As a result, total consolidated net sales amounted to 1,675.1 billion yen, a decrease of 21.7 billion yen (1%) from fiscal 2016. Despite posting robust sales, net sales was negatively affected by exchange rate fluctuations.

(2) Operating Performance Highlights by Business Segment

Operating results by business segment are as follows.
Net sales for each segment do not include inter-segment transactions.

Automobile

The automobile market expanded on a global basis, with Europe, North America and Japan registering strong sales among developed countries and China posting an increase among emerging countries. Amid such operating conditions, net sales of the Automobile Segment totaled 562.6 billion yen, an increase of 6.1 billion yen, or 1%. Operating profit amounted to 24.9 billion yen, a decrease of 7.8 billion yen (24%) from fiscal 2016.

Within this segment, net sales of the Vehicle Business amounted to 73.1 billion yen, an increase of 3.0 billion yen, or 4%, due to increases in sales of the Vitz (Yaris overseas) and RAV4.

Net sales of the Engine Business totaled 90.0 billion yen, an increase of 11.4 billion yen, or 15%. Despite a decrease in sales of KD diesel engines, sales of GD diesel engines increased.

Net sales of the Car Air-Conditioning Compressor Business totaled 334.7 billion yen, a decrease of 8.2 billion yen, or 2%. The decrease was attributable mainly to the impact of exchange rate fluctuations despite an increase in unit sales globally in Japanese, European, Chinese, North American and other markets.

Net sales of Electronics Parts, Foundry and Others Business totaled 64.7 billion yen, on par with the previous fiscal. Despite a decrease in sales of Foundry, sales of Electronics Parts increased.

Materials Handling Equipment

The materials handling equipment market as a whole continued to expand globally due mainly to increases in unit sales in Europe and North America as well as a recovery in China, although unit sales in Japan were on par with the previous fiscal year. Amid this operating climate, Toyota Industries strengthened production and sales structures and rolled out new products matched to respective markets. In November 2016, Toyota Industries commenced sales of the new 1.0- to 3.5-ton electric lift trucks, "gene B". Net sales of the materials handling equipment totaled 988.1 billion yen, a decrease of 31.3 billion yen, or 3%. The decrease was attributable mainly to the impact of exchange rate fluctuations despite an increase in unit sales in European, Japanese and other markets. Operating profit amounted to 89.4 billion yen, a decrease of 2.3 billion yen (3%) from fiscal 2016. In addition, in order to respond to structural changes in the logistics industry and strengthen its logistics solutions business on a global scale, Toyota Industries concluded an agreement to acquire Bastian Solutions LLC, a major North American materials handling systems integrator, and the Netherland-based Vanderlande Industries Holding B.V., the global market leader for value-added logistic process automation, in February 2017 and March 2017, respectively.

Textile Machinery

The textile machinery market was on a recovery path mainly in the primary markets of China and other emerging countries in Asia. Net sales of the Textile Machinery Segment totaled 66.2 billion yen, an increase of 0.6 billion yen (1%). Sales of Air jet Loom increased while those of weaving machinery recorded a decrease. Operating profit amounted to 6.8 billion yen, an increase of 0.3 billion yen (5%) from fiscal 2016.

Others

Net sales of the Others Segment totaled 58.0 billion yen, an increase of 2.8 billion yen (5%). Operating profit amounted to 6.0 billion yen, an increase of 0.7 billion yen (14%) from fiscal 2016.

(3) Operating profit

Operating profit for fiscal 2017 was 127.3 billion yen, a decrease of 9.7 billion yen (7%) from fiscal 2016. This was due mainly to the impact of exchange rate fluctuations and an increase in labor costs despite cost reduction efforts throughout the Toyota Industries Group, sales efforts and decreases in depreciation costs.

(4) Profit before income taxes

Profit before income taxes amounted to 181.9 billion yen, a decrease of 9.4 billion yen (5%) from fiscal 2016. This was due mainly to dividends income of 61.8 billion yen, a decrease of 3.2 billion yen, or 5%, from fiscal 2016.

(5) Profit attributable to owners of the parent

Profit attributable to owners of the parent totaled 131.3 billion yen, a decrease of 62.9 billion yen (32%) from fiscal 2016. Earnings per share− basic was 420.78 yen compared with 618.34 yen in fiscal 2016.

2. Consolidated Financial Condition

Total assets increased 241.0 billion yen from the end of the previous fiscal year to 4,558.2 billion yen due mainly to an increase in market value of investment securities. Liabilities amounted to 2,241.7 billion yen, an increase of 93.8 billion yen from the end of the fiscal year due mainly to an increase in corporate bonds and loans. Net assets amounted to 2,316.4 billion yen, an increase of 147.1 billion yen from the end of the previous fiscal year.

3. Liquidity and Capital Resources

Toyota Industries' financial policy is to ensure sufficient financing and liquidity for its business activities and to maintain strong consolidated financial position. Currently, funds for capital investments and other long-term capital needs are provided from retained earnings and long-term debt, and working capital needs are met through short-term loans. Long-term debt financing is carried out mainly through issuance of corporate bonds and loans from financial institutions.

Toyota Industries continues to maintain its solid financial condition. Through the use of such current assets as cash and cash equivalents and short-term investments, as well as free cash flows and funds procured from financial institutions, Toyota Industries believes that it will be able to provide sufficient funds for the working capital necessary to expand existing businesses and develop new projects, as well as for future investments.

Regarding fund management, the Company undertakes integrated fund management of its subsidiaries in Japan, while Toyota Industries North America, Inc. (TINA) and Toyota Industries Finance International AB (TIFI) centrally manage the funds of subsidiaries in North America and Europe, respectively. Through close cooperation among the Company, TINA and TIFI, we strive for efficient, unified fund management on a global consolidated basis.

4. Cash Flows

Cash flows from operating activities increased by 239.0 billion yen in fiscal 2017, due mainly to posting profit before income taxes of 181.9 billion yen. Net cash provided by operating activities decreased by 9.0 billion yen compared with an increase of 248.0 billion yen in fiscal 2016.

Cash flows from investing activities resulted in a decrease in cash of 86.9 billion yen in fiscal 2017, attributable primarily to an increase in payments for purchases of property, plant and equipment amounting to 164.2 billion yen. Net cash used in investing activities decreased by 445.3 billion yen compared with a decrease of 532.2 billion yen in fiscal 2016.

Cash flows from financing activities resulted in an increase in cash of 0.7 billion yen in fiscal 2017, due mainly to proceeds from issuance of corporate bonds of 80.0 billion yen.

After adding translation adjustments and cash and cash equivalents at beginning of period, cash and cash equivalents as of March 31, 2017 stood at 243.6 billion yen, an increase in 151.3 billion yen (164%) over fiscal 2016.

5. Investment in Property, Plant and Equipment

During fiscal 2017, Toyota Industries made a total investment of 176,999 million yen in property, plant and equipment (including materials handling equipment for lease) in order to launch new products, streamline and upgrade production equipment.

In regard to investment in property, plant and equipment by the reporting segments, investment in property, plant and equipment in Automobile, Materials Handling Equipment, Textile Machinery and Others were 46,661 million yen, 123,923 million yen, 2,733 million yen and 3,682 million yen.

6. Strategies and Outlook

Outlook for Results for Fiscal 2018

With regard to the future economic outlook, the global economy is expected to continue growing. However, uncertainties surrounding the business environment preclude optimism, as the future trend in monetary easing in each country, protectionist policies spreading in developed countries, a further deceleration of the Chinese economy and the occurrence of terrorism and conflicts around the world require close monitoring.

Amid this challenging environment, Toyota Industries will continue to undertake concerted efforts to strengthen its management platform and raise corporate value.

First of all, we will work to bolster our management platform so that we can respond quickly to rapid changes in the business environment. Specifically, based on the concept of quality first, we aim to build a stronger production foundation by maintaining and improving productivity on a global basis. Moreover, we will strive to build a lean corporate structure by thoroughly eliminating waste, by setting lead times in terms of quality, cost and products throughout the global supply chain that includes suppliers and business partners, and by improving productivity in administrative sections. At the same time, we will strengthen risk management in order to quickly and accurately respond to changes in world affairs.

In addition to the above measures, we will work to hone our manufacturing capabilities, which constitute our strengths, and further strengthen product competitiveness by not only developing technologies based on the keyword of the 3Es, which we define as "energy", "environmental protection" and "ecological thinking", but also by differentiating our production engineering technologies. Moreover, we aim to leverage new growth potentials by taking advantage of such structural changes as progress in electrification and the rapid growth of e-commerce in the automobile and materials handling equipment markets on a global scale, by creating and providing customers with new values and by utilizing the Internet of Things (IoT) and artificial intelligence (AI). To support such business development, we will continue our efforts to create a workplace climate that enables diverse human resources to fully demonstrate their abilities and develop personnel who can play active roles in the global arena.

In other areas, Toyota Industries will create a workplace climate that places top priority on safety; ensure thoroughgoing compliance, including adherence to laws and regulations; and proactively participate in social contribution activities. By carrying out these initiatives, we aim to broadly meet the trust of society and grow harmoniously with society. With regard to protection of the global environment, we will undertake Group-wide initiatives toward the realization of "a zero CO_2 emission society in 2050".

Through these initiatives, we aim for sustainable growth of each business and strive to support industries and social foundations around the world and contribute to an enriched lifestyle and comfortable society as described in Vision 2020.

7. Dividend Policy

Toyota Industries is to meet the expectations of shareholders for continuous dividends while giving full consideration to business performance, funding requirements, the dividend payout ratio and other factors.

Toyota Industries' Ordinary General Meeting of Shareholders, held on June 23, 2017, approved a year-end cash dividend of 65.0 yen per share. Including the interim cash dividend of 60.0 yen per share, cash dividends for the year totaled 125.0 yen per share.

Toyota Industries will use retained earnings to improve the competitiveness of its products, augment production capacity in Japan and overseas, as well as to expand into new fields of business and strengthen its corporate constitution in securing future profits for its shareholders.

The Company's Articles of Incorporation stipulate that it may pay interim cash dividends as prescribed in Article 454-5 of the Companies Act and it is the Company's basic policy to pay dividends from retained earnings twice a year (interim and year-end).

The Company's Articles of Incorporation also stipulate that what is prescribed in Article 459-1 of the Companies Act can be added to the Articles of Incorporation. As the Company's policy, discretion to pay interim cash dividends is determined by the Board of Directors while payment of year-end cash dividends is subject to approval at the Ordinary General Meeting of Shareholders.

8. Risk Information

The following represent risks that could have a material impact on Toyota Industries' financial condition, business results and share prices. Toyota Industries judged the following as future risks as of March 31, 2017.

(1) Principal Customers

Toyota Industries' automobile and engine products are sold primarily to Toyota Motor Corporation ("TMC"). In fiscal 2017, net sales to TMC accounted for 11.6% of consolidated net sales. Therefore, TMC's vehicle sales could have an impact on Toyota Industries' business results. As of March 31, 2017, TMC holds 24.7% of the Company's voting rights.

(2) Product Development Capabilities

Based on the concept of "developing appealing new products", Toyota Industries proactively develops new products by utilizing its leading-edge technologies, as it strives to anticipate increasingly sophisticated and diversifying needs of the market and ensure the satisfaction of its customers.

R&D activities are focused mainly on developing and upgrading products in current business fields and peripheral sectors. Toyota Industries expects that revenues derived from these fields will continue to account for a significant portion of total revenues and anticipates that future growth will be contingent on the development and sales of new products in these fields. Toyota Industries believes that it can continue to develop appealing new products. However, Toyota Industries may not be able to forecast market needs and develop and introduce appealing new products in a timely manner. This could result in lower future growth and have an adverse impact on Toyota Industries' financial condition and business results.

Such a situation could result from risks that include no assurance Toyota Industries can allocate sufficient future funds necessary for the development of appealing new products; no assurance that product sales will be successful, as forecasts of products supported by the market may not always be accurate; and no assurance that newly developed products and technologies will always be protected as intellectual property.

(3) Intellectual Property Rights

In undertaking its business activities, Toyota Industries has acquired numerous intellectual property rights, including those acquired overseas, such as patents related to its products, product designs and manufacturing methods. However, not all patents submitted will necessarily be registered as rights, and these patents could thus be rejected by patent authorities or invalidated by third parties. Also, a third party could circumvent a patent of Toyota Industries and introduce a competing product into the market. Moreover, Toyota Industries' products utilize a wide range of technologies. Therefore, Toyota Industries could become a party subject to litigation involving the intellectual property rights of a third party.

(4) Product Defects

Guided by the basic philosophy of "offering products and services that are clean, safe and of high quality", Toyota Industries makes its utmost efforts to enhance quality.

However, Toyota Industries cannot guarantee all its products will be defect-free and that product recalls will not be made in the future. Product defects that could lead to large-scale recalls and product liability indemnities could result in large cost burdens and have a significant negative impact on the evaluation of Toyota Industries. It could also have an adverse effect on Toyota Industries' financial condition and business results due to a decrease in sales, deterioration of profitability and decrease in share prices of Toyota Industries.

(5) Price Competition

Toyota Industries faces extremely harsh competition in each of the industries in which it conducts business, including its Automobile and Materials Handling Equipment businesses, which are the core of Toyota Industries' earnings foundation. Toyota Industries believes it offers high value-added products that are unrivalled in terms of technology, quality and cost.

Amid an environment characterized by intensifying price competition, however, Toyota Industries may be unable to maintain or increase market share against low-cost competitors or to maintain profitability. This could have an adverse impact on Toyota Industries' financial condition and business results.

(6) Reliance on Suppliers of Raw Materials and Components

Toyota Industries' products rely on various raw materials and components from suppliers outside Toyota Industries. Toyota Industries has concluded basic business contracts with these external suppliers and assumes it can carry out stable transactions for raw materials and components. However, Toyota Industries has no assurances against future shortages of raw materials and components, which arise from a global shortage due to tight supply or an unforeseen accident involving a supplier. Such shortages could have a negative effect on Toyota Industries' production and cause an increase in costs, which could have an adverse impact on Toyota Industries' financial condition and business results.

(7) Environmental Regulations

In view of its social responsibilities as a company, Toyota Industries strives to reduce any burden on the environment resulting from its production processes, as well as strictly adheres to applicable environmental laws and regulations.
However, various environmental regulations could also be revised and strengthened in the future. Accordingly, any expenses necessary for continuous strict adherence to these environmental regulations could result in increased business costs and have an adverse impact on Toyota Industries' financial condition and business results.

(8) Alliances with Other Companies

Aiming to expand its businesses, Toyota Industries engages in joint activities with other companies through alliances and joint ventures. However, a wildly fluctuating market trend or a disagreement between Toyota Industries and its partners, owing to business, financial or other reasons, could prevent Toyota Industries from deriving the intended benefits of its alliances.

(9) Exchange Rate Fluctuations

Toyota Industries' businesses encompass the production and sales of products and the provision of services worldwide. Generally, the strengthening of the yen against other currencies (especially against the U.S. dollar and the euro, which account for a significant portion of Toyota Industries' sales) has an adverse impact on Toyota Industries' business, while a weakening of the yen has a favorable impact. As such, in the businesses in which the Toyota Industries manufactures products in Japan and exports them, the strengthening of the yen could reduce Toyota Industries' relative price competitiveness on a global basis and have an adverse impact on Toyota Industries' financial condition and business results.

(10) Share Price Fluctuations

Toyota Industries holds marketable securities, and therefore bears the risk of price fluctuations of these shares. Based on fair market value of these shares at the end of the fiscal year under review, Toyota Industries had unrealized gains. However, unrealized gains on marketable securities could worsen depending on future share price movements. Additionally, a fall in share prices could reduce the value of pension assets, leading to an increase in the pension shortfall.

(11) Effects of Disasters, Power Blackouts and Other Incidents

Toyota Industries carries out regular checks and inspections of its production facilities to minimize the effect of production breakdown. However, there is no assurance Toyota Industries can completely prevent or lessen the impact of man-made or natural disasters and power blackouts occurring at Toyota Industries' and its suppliers' production facilities. Specifically, the majority of Toyota Industries' domestic production facilities and most of its business partners are situated in the Chubu region. Therefore, major disasters in this region could delay or stop production or shipment activities. Such prolonged delays and stoppages could have an adverse impact on Toyota Industries' financial condition and business results.

(12) Latent Risks Associated with International Activities

Toyota Industries manufactures and sells products and provides services in various countries. Such unforeseen factors as social chaos, including political disruptions, terrorism and wars, as well as changes in economic conditions, could have an adverse impact on Toyota Industries' financial condition and business results.

(13) Post-employment benefits

Toyota Industries' defined benefit plan expenses and liabilities are calculated based on actuarial assumptions that incorporate discount rates and other factors. Therefore, differences between actual results and assumptions, such as a reduction in discount rates or a decrease in plan assets, as well as changes in the assumptions could have a significant impact on recognized expenses and calculated liabilities in future accounting periods.

9. Significant Contract Agreements

Toyota Industries resolved at the meeting of the Board of Directors held on December 20, 2016 that Toyota Advanced Logistics Solutions, Inc., a U.S. subsidiary of Toyota Industries, would acquire major North American materials handling systems integrator Bastian Solutions, LLC (U.S. - based).

In addition, Toyota Industries resolved at the meeting of the Board of Directors held on March 22, 2017 that Toyota Industries Europe AB, a holding company of Toyota Industries for materials handling equipment business in Europe, would acquire Vanderlande Industries Holding B.V. (Netherlands - based), the global market leader for value-added logistic process automation.

For the details about these acquisitions, please see "36. Subsequent events".

10. Parallel disclosure information

The major items in the consolidated financial statements prepared in accordance with IFRS which are different from the consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles in Japan ("Japanese GAAP") are as follows.

(1) Net amounts of supply-for-a-fee transactions

Regarding supply-for-a-fee transactions, net sales and cost of sales are recorded at the time of repurchase under Japanese GAAP; under IFRS, on the other hand, only net amounts of machining cost equivalents are recognized as revenue. As a result, net sales decreased 561,920 million yen and cost of sales decreased 561,920 million yen for the fiscal year ended March 31, 2017.

(2) Goodwill

Goodwill is amortized principally over less than 20 years on a straight-line basis under Japanese GAAP; under IFRS, on the other hand, it has not been amortized since the transition date, while an impairment test is conducted for every period. As a result, selling, general and administrative expenses decreased 7,577 million yen for the fiscal year ended March 31, 2017.

11. Toyota Industries' Relationship to Toyota Motor Corporation

Due to historical reasons, Toyota Industries maintains close relationships with Toyota Motor Corporation ("TMC") and Toyota Group companies in terms of capital and business dealings.

(1) Historical Background

In 1933, Kiichiro Toyoda, the eldest son of founder Sakichi Toyoda and then Managing Director of Toyota Industries (then Toyoda Automatic Loom Works, Ltd.), established the Automobile Department within the Company based on his resolve to manufacture Japanese-made automobiles. In 1937, the Automobile Department was spun off and became an independent company, Toyota Motor Co., Ltd. (the present Toyota Motor Corporation).

(2) Capital Relationship

In light of this historical background, Toyota Industries and TMC have maintained a close capital relationship. As of March 31, 2017, Toyota Industries holds 7.59% (229,274 thousand shares) of TMC's total shares in issue. Likewise, as of the same date, TMC holds 24.67% of Toyota Industries' total voting rights. Toyota Industries is a TMC affiliate accounted for by the equity method.

(3) Business Relationship

Toyota Industries assembles certain cars and produces automobile engines under consignment from TMC. Additionally, Toyota Industries sells a portion of its other components and products directly or indirectly to other Toyota Group companies. In fiscal 2017, our net sales to TMC, on a stand-alone basis accounted for 11.6% of our consolidated net sales.

(4) Contributions to the Toyota Group

As a member of the Toyota Group, Toyota Industries aims to contribute to strengthening the competitiveness of TMC and other Toyota Group companies in such areas as quality, cost, delivery and technologies. Toyota Industries is confident that raising the Toyota Group's competitiveness will lead to increases in sales to and profits from the Toyota Group, thereby contributing to raising Toyota Industries' corporate value.

[Consolidated Financial Statements and Other]

I. [Consolidated Financial Statements]

[Consolidated Statement of Financial Position]

(Millions of yen)

	Notes	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Assets				
Current assets				
Cash and cash equivalents	6	248,706	92,399	243,685
Trade receivables and other receivables	7	475,415	624,240	646,542
Other financial assets	8	92,189	273,410	174,301
Inventories	9	192,947	195,982	194,427
Income tax receivables		8,640	7,170	21,106
Other current assets		37,926	38,958	42,356
Total current assets		1,055,825	1,232,161	1,322,420
Non-current assets				
Property, plant and equipment	10	740,171	815,399	833,329
Goodwill and intangible assets	11	203,042	189,207	185,813
Trade receivables and other receivables	7	999	1,005	149
Investments accounted for by the equity method	12	14,332	13,593	8,673
Other financial assets	8	2,677,218	2,028,284	2,161,509
Net defined benefit assets	18	22,283	11,651	18,129
Deferred tax assets	25	31,812	22,599	23,800
Other non-current assets		3,729	3,379	4,386
Total non-current assets		3,693,589	3,085,121	3,235,791
Total assets		4,749,415	4,317,282	4,558,212

The accompanying notes are an integral part of these financial statements.

(Millions of yen)

	Notes	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Liabilities and Equity				
Liabilities				
Current liabilities				
Trade payables and other payables	13	354,643	355,882	387,333
Corporate bonds and loans	14	146,789	190,844	311,663
Other financial liabilities	15	138,667	75,440	71,807
Accrued income taxes		15,225	48,051	11,163
Provisions	17	5,653	9,336	7,397
Other current liabilities		19,072	20,186	21,237
Total current liabilities		680,051	699,741	810,603
Non-current liabilities				
Corporate bonds and loans	14	625,382	711,424	665,890
Other financial liabilities	15	121,632	106,248	79,375
Net defined benefit liabilities	18	88,062	88,942	92,552
Provisions	17	6,245	6,888	6,479
Deferred tax liabilities	25	756,584	517,854	567,803
Other non-current liabilities		14,927	16,868	19,039
Total non-current liabilities		1,612,834	1,448,227	1,431,140
Total liabilities		2,292,886	2,147,969	2,241,744
Equity				
Share of equity attributable to owners of the parent				
Capital stock	19	80,462	80,462	80,462
Capital surplus	19	105,592	105,517	105,417
Retained earnings	19	705,521	855,317	954,503
Treasury stock	19	(41,509)	(41,266)	(59,272)
Other components of shareholders' equity	19	1,541,262	1,098,627	1,159,181
Total share of equity attributable to owners of the parent		2,391,330	2,098,658	2,240,293
Non-controlling interests		65,198	70,655	76,174
Total equity		2,456,528	2,169,313	2,316,467
Total liabilities and equity		4,749,415	4,317,282	4,558,212

[Consolidated Statement of Profit or Loss]

(Millions of yen)

	Notes	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Net sales		1,696,856	1,675,148
Cost of sales	21, 22	(1,291,859)	(1,278,378)
Gross profit		404,997	396,769
Selling, general and administrative expenses	21, 22	(266,894)	(268,354)
Other income	23	10,879	11,411
Other expenses	23	(11,956)	(12,480)
Operating profit		137,026	127,345
Financial income	24	67,264	63,734
Financial expenses	24	(13,536)	(10,067)
Share of profit of investments accounted for by the equity method	12	632	974
Profit before income taxes		191,386	181,986
Income taxes	25	(52,865)	(44,420)
Profit from continuing operations		138,521	137,565
Profit from discontinued operations	31	61,435	—
Profit		199,956	137,565
Profit attributable to:			
Owners of the parent		194,270	131,398
Non-controlling interests		5,685	6,167

Earnings per share	26		
Basic:			
Continuing operations		422.80	420.78
Discontinued operations		195.54	—
Earnings per share– basic (yen)		618.34	420.78
Diluted:			
Continuing operations		422.79	—
Discontinued operations		195.54	—
Earnings per share– diluted (yen)		618.33	—

The accompanying notes are an integral part of these financial statements.

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Notes	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Profit		199,956	137,565
Other comprehensive income:			
Items not to be reclassified into profit or loss			
Net changes in revaluation of FVTOCI financial assets	27, 29	(409,198)	77,802
Remeasurements of defined benefit plans	18, 27	(7,022)	4,862
Other comprehensive income of affiliates accounted for by the equity method	27	(18)	21
Total items not to be reclassified into profit or loss		(416,239)	82,686
Items that can be reclassified into profit or loss			
Translation adjustments of foreign operations	27	(35,492)	(18,913)
Cash flow hedges	27, 29	(556)	1,242
Other comprehensive income of affiliates accounted for by the equity method	27	(689)	162
Total items that can be reclassified into profit or loss		(36,737)	(17,509)
Total other comprehensive income		(452,977)	65,177
Comprehensive income		(253,021)	202,743
Total comprehensive income attributable to:			
Owners of the parent			
Continuing operations		(316,549)	197,355
Discontinued operations	31	61,475	—
Total owners of the parent		(255,074)	197,355
Non-controlling interests		2,053	5,387

The accompanying notes are an integral part of these financial statements.

[Consolidated Statement of Changes in Equity]

(Millions of yen)

	Notes	Share of equity attributable to owners of the parent					
						Other components of shareholders' equity	
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Net changes in revaluation of FVTOCI financial assets	Remeasurements of defined benefit plans
Balance at April 1, 2015		80,462	105,592	705,521	(41,509)	1,541,869	—
Profit		—	—	194,270	—	—	—
Other comprehensive income		—	—	—	—	(409,158)	(6,830)
Total comprehensive income		—	—	194,270	—	(409,158)	(6,830)
Repurchase of treasury stock	19	—	—	—	(20)	—	—
Disposal of treasury stock	19	—	(30)	—	263	—	—
Dividends	20	—	—	(37,699)	—	—	—
Changes in ownership interest of subsidiaries		—	(44)	—	—	—	—
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	—
Reclassified into retained earnings		—	—	(6,774)	—	(56)	6,830
Other increases (decreases)		—	—	—	—	—	—
Total transactions with owners		—	(75)	(44,474)	242	(56)	6,830
Balance at March 31, 2016		80,462	105,517	855,317	(41,266)	1,132,655	—
Profit		—	—	131,398	—	—	—
Other comprehensive income		—	—	—	—	77,521	4,811
Total comprehensive income		—	—	131,398	—	77,521	4,811
Repurchase of treasury stock	19	—	(36)	—	(18,011)	—	—
Disposal of treasury stock	19	—	(0)	—	5	—	—
Dividends	20	—	—	(37,609)	—	—	—
Changes in ownership interest of subsidiaries		—	(62)	—	—	—	—
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	—
Reclassified into retained earnings		—	—	5,395	—	(584)	(4,811)
Other increases (decreases)		—	—	—	—	—	—
Total transactions with owners		—	(99)	(32,213)	(18,005)	(584)	(4,811)
Balance at March 31, 2017		80,462	105,417	954,503	(59,272)	1,209,592	—

The accompanying notes are an integral part of these financial statements.

(Millions of yen)

	Notes	Share of equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other components of shareholders' equity				Total		
		Translation adjustments of foreign operations	Cash flow hedges	Subscription rights to shares	Total			
Balance at April 1, 2015		—	(679)	72	1,541,262	2,391,330	65,198	2,456,528
Profit		—	—	—	—	194,270	5,685	199,956
Other comprehensive income		(32,799)	(556)	—	(449,344)	(449,344)	(3,632)	(452,977)
Total comprehensive income		(32,799)	(556)	—	(449,344)	(255,074)	2,053	(253,021)
Repurchase of treasury stock	19	—	—	—	—	(20)	—	(20)
Disposal of treasury stock	19	—	—	—	—	232	—	232
Dividends	20	—	—	—	—	(37,699)	(1,670)	(39,369)
Changes in ownership interest of subsidiaries		—	—	—	—	(44)	117	72
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	5,059	5,059
Reclassified into retained earnings		—	—	—	6,774	—	—	—
Other increases (decreases)		—	—	(65)	(65)	(65)	(103)	(168)
Total transactions with owners		—	—	(65)	6,709	(37,597)	3,403	(34,193)
Balance at March 31, 2016		(32,799)	(1,235)	6	1,098,627	2,098,658	70,655	2,169,313
Profit		—	—	—	—	131,398	6,167	137,565
Other comprehensive income		(17,618)	1,242	—	65,957	65,957	(779)	65,177
Total comprehensive income		(17,618)	1,242	—	65,957	197,355	5,387	202,743
Repurchase of treasury stock	19	—	—	—	—	(18,048)	—	(18,048)
Disposal of treasury stock	19	—	—	—	—	5	—	5
Dividends	20	—	—	—	—	(37,609)	(2,290)	(39,899)
Changes in ownership interest of subsidiaries		—	—	—	—	(62)	30	(31)
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	30	30
Reclassified into retained earnings		—	—	—	(5,395)	—	—	—
Other increases (decreases)		—	—	(6)	(6)	(6)	2,360	2,354
Total transactions with owners		—	—	(6)	(5,402)	(55,721)	131	(55,589)
Balance at March 31, 2017		(50,417)	6	—	1,159,181	2,240,293	76,174	2,316,467

[Consolidated Statement of Cash Flows]

(Millions of yen)

	Notes	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Cash flows from operating activities:			
Profit before income taxes		191,386	181,986
Profit before income taxes from discontinued operations	31	93,025	—
Depreciation and amortization		143,836	148,957
Impairment losses		2,034	2,136
Interest and dividends income		(66,367)	(62,862)
Interest expenses		10,588	8,111
Share of (profit) loss of investments accounted for by the equity method		(632)	(974)
(Increase) decrease in Inventories		(7,602)	(3,010)
(Increase) decrease in trade receivables and other receivables		(25,448)	(16,249)
Increase (decrease) in trade payables and other payables		9,189	28,589
Others		(112,404)	(16,772)
Subtotal		237,607	269,912
Interest and dividends income received		66,364	63,186
Interest expenses paid		(10,401)	(8,374)
Income taxes paid		(45,521)	(85,630)
Net cash provided by operating activities		248,049	239,094
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(150,598)	(164,225)
Proceeds from sales of property, plant and equipment		10,044	10,167
Payments for purchases of investment securities		(716)	(30,612)
Proceeds from sales of investment securities		375	7,591
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation		(9,717)	(2,855)
Proceeds from sales of subsidiaries' stock resulting in change in scope of consolidation	31	140,097	—
Payments for loans made		(570)	(607)
Proceeds from collection of loans		914	958
Payments for bank deposits		(358,634)	(373,122)
Proceeds from withdrawals of bank deposits		120,735	480,742
Payments for transfer of business	5	(277,643)	(3,269)
Others		(6,523)	(11,691)
Net cash used in investing activities		(532,238)	(86,925)

(Millions of yen)

	Notes	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Cash flows from financing activities:			
Payments for acquisition of subsidiaries' stock not resulting in change in scope of consolidation		(155)	(131)
Proceeds from sales of subsidiaries' stock not resulting in change in scope of consolidation		524	463
Net Increase (decrease) in short-term loans (within three months)		23,839	16,384
Proceeds from short-term loans payable (over three months)		127,110	36,921
Repayments of short-term loans payable (over three months)		(68,105)	(114,087)
Proceeds from long-term loans payable		153,980	63,242
Repayments of long-term loans payable		(38,574)	(36,084)
Proceeds from issuance of corporate bonds		25,481	80,068
Repayments of corporate bonds		(46,965)	(20,000)
Payments for repurchase of treasury stock		(20)	(18,048)
Cash dividends paid	20	(37,699)	(37,609)
Cash dividends paid to non-controlling interests		(1,670)	(2,290)
Proceeds from payments by non-controlling interests		102	2,245
Others		(13,352)	29,714
Net cash provided by financing activities		124,495	789
Translation adjustments of cash and cash equivalents		3,386	(1,672)
Net increase (decrease) in cash and cash equivalents		(156,307)	151,286
Cash and cash equivalents at beginning of period		248,706	92,399
Cash and cash equivalents at end of period	6	92,399	243,685

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

1. Nature of Operations

Toyota Industries Corporation (hereinafter, "the Company") is a company domiciled in Japan. The accompanying consolidated financial statements comprise Toyota Industries and the Company's interests in affiliates. The businesses of the Toyota Industries include the manufacture and sales of automobiles, materials handling equipment, textile machinery and others. The content of each business is detailed in "4. Segment Information".

2. Basis of Presentation

(1) Conformance of Consolidated Financial Statements with IFRS

As the Company meets the requirements of "Specified Company Applying Designated International Financial Reporting Standards" pursuant to Article 1-2 of the Ordinance on Consolidated Financial Statements, the consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as permitted by the provision of Article 93 of the Ordinance.

Toyota Industries prepared the first consolidated financial statements in accordance with IFRS from the current fiscal year (from April 1, 2016 to March 31, 2017). The date of the transition to IFRS is April 1, 2015. In transitioning to IFRS, Toyota Industries applies IFRS 1 "First-time Adoption of International Financial Reporting Standards" ("IFRS 1"), and the impact of the transition to IFRS has on its financial position, operating results and cash flows is stated in "37. Disclosure on Transition to IFRS".

The consolidated financial statements have been approved by Akira Onishi, president of the Company, on June 23, 2017.

(2) Basis of Measurement

As detailed in "3. Significant Accounting Policies", the Company's consolidated financial statements have been prepared on a historical cost basis, except for specific financial instruments and others measured at fair value.

(3) Functional Currency and Presentation Currency

The financial statements of each of Toyota Industries' entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). These consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, rounded down to the nearest million yen.

(4) Estimates and Use of Judgments

In the preparation of the IFRS-compliant consolidated financial statements, management of the Company is required to make a number of judgments, estimates and assumptions that could have an impact on the application of accounting policies, reporting of revenues and expenses as well as assets and liabilities. Actual results, however, could differ from those estimates.

Estimates and assumptions are continually reviewed. The effect of a change in accounting estimates is recognized in the reporting period in which the change was made and in future reporting periods.

The information regarding judgments used in applying accounting policies that could have a material effect on the Company's consolidated financial statements is included in "3. Significant Accounting Policies".

The information regarding uncertainties arising from assumptions and estimates that could result in material adjustments in the subsequent consolidated financial statements is as follows.

11. Goodwill and Intangible Assets (impairment losses)
18. Employee Benefits (assumptions based on actuarial calculation)

(5) Early Adoption of New Accounting Standards

Toyota Industries has early adopted IFRS 9 "Financial Instruments" (revised in July 2014).

(6) Accounting Standards and Interpretations Not Yet Adopted by the Company

The principal accounting standards and interpretations issued or amended prior to the approval date of the consolidated financial statements that are not yet adopted by Toyota Industries as of the reporting date are as follows. Toyota Industries is currently evaluating the potential impact of adopting these standards and interpretations on its financial position and business performance, which cannot be estimated as of the reporting date.

IFRS	Title	Mandatory effective date (Fiscal year beginning on or after)	To be adopted by the Company	Description of standards and amendments
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	FY2019	Accounting transactions and disclosure demand for revenue recognition
IFRS 16	Leases	January 1, 2019	FY2020	Accounting transactions and disclosure demand for leases

3. Significant Accounting Policies

(1) Basis of Consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method. Goodwill is measured as the difference between the aggregate of the acquisition-date value of the consideration transferred, the amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the difference is negative, it is immediately recognized in profit or loss. If the initial accounting for a business combination is incomplete by the end of the fiscal year in which the combination occurs, provisional amounts of incomplete items are measured, which are adjusted during the measurement period within one year from the date of acquisition. Acquisition-related costs incurred are recognized as expenses. For intangible assets acquired through a business combination, see "(6) Intangible Assets (iii) Intangible assets acquired in business combinations". For policy on impairment losses of non-financial assets including goodwill, see "(15) Impairment Losses (ii) Non-financial assets".

(ii) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of the subsidiaries are consolidated into those of the Company from the date on which the Company acquires control until the date on which the Company loses control. Subsidiaries' financial statements are adjusted if their accounting policies differ from those of the Company. Intra-group balances, transactions and any unrealized gains or losses resulting from intra-group transactions are eliminated on consolidation. Comprehensive income is attributed to the owners of the parent and to non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests consist of the amount of those interests recognized initially at the date on which the Company acquires control and the changes in non-controlling interests since the said date.

The consolidated financial statements contain financial statements of subsidiaries whose closing dates differ from that of the parent as the result those dates being required by laws of the countries where those subsidiaries reside. For those subsidiaries, financial statements are prepared as of and years ended for March 31, and used in the consolidated closing date.

(iii) Affiliates

Affiliates are entities in which Toyota Industries has a significant influence, but not control, over financial and operating policies. Investments in affiliates are accounted for by the equity method from the date on which the Company possesses a significant influence until the date on which the Company loses the significant influence.

If accounting policies of affiliates differ from those adopted by Toyota Industries, the Company makes necessary modifications to align them with those of Toyota Industries.

Under the equity method, the investment is initially measured at cost and is adjusted thereafter for the post-acquisition change in the Toyota Industries' share of the affiliates' net assets. In doing so, the amount equivalent to Toyota Industries' share of the affiliates' net assets is recognized in profit or loss of the Group. Also, the amount equivalent to Toyota Industries' share of the affiliates' other comprehensive income is recognized in other comprehensive income of Toyota Industries. The amount equivalent to Toyota Industries' share of the affiliates' loss is recognized as a loss until the amount exceeds the investment (including long-term interests that, in substance, form part of the Toyota Industries' net investment in that affiliate), and losses in excess of the investment are recognized only to the extent that Toyota Industries has incurred legal or constructive obligations or made payments on behalf of the affiliate. Unrealized gains or losses from significant inter-company transactions are eliminated to the extent of Toyota Industries' share of the equity interest in the affiliate.

Any excess of the cost of acquisition over identifiable assets, liabilities and contingent liabilities of the affiliate at the date of acquisition is recognized as goodwill and included in the carrying value of the investment, and is not amortized.

(2) Foreign Currencies

(i) Foreign currency transactions

Foreign currency transactions are converted into the functional currency of Toyota Industries using the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot rate using the exchange rate at the fair value calculation date.
Any exchange difference arising from the retranslation and settlement is recognized in profit or loss of the period.

(ii) Foreign operations

Assets and liabilities of foreign operations including goodwill and fair value adjustments arising from acquisition are translated at the exchange rates at the end of the reporting period. Income and expenses of foreign operations are translated at the average exchange rates during the fiscal year, except in cases where exchange rates fluctuate significantly. If exchange rates fluctuate significantly, the exchange rate at the transaction date is used.

Foreign currency differences from the translation are recognized in other comprehensive income. When a foreign operation is disposed of or control, significant influence or joint control is lost, the cumulative amount of exchange differences related to that foreign operation is reclassified to profit or loss as part of the gain or loss on the disposal.

(3) Cash and Cash Equivalents

Cash and cash equivalents are cash on hand, readily available deposits and short-term highly liquid and low risk investments with maturities not exceeding three months at the time of purchase.

(4) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories includes purchase costs, processing costs and all other costs incurred in bringing them to their existing location and condition, and is calculated primarily using the moving average method.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to sell.

(5) Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses.

Estimated useful lives and the method of depreciation are reviewed at the fiscal year-end. Changes in estimated useful lives or depreciation methods are accounted for on a prospective basis as a change in accounting estimate.
Property, plant and equipment, excluding land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term or their estimated useful lives, unless it is reasonably certain that Toyota Industries will acquire ownership by expiration of the lease term.
The estimated useful lives for major classes of assets are as follows.

Buildings and structures: 5 to 60 years
Machinery and vehicles: 3 to 22 years

An item of property, plant and equipment is derecognized on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition of an item of property, plant and equipment is included in profit or loss when it is derecognized.

For the policy on impairment of property, plant and equipment, see "(15) Impairment Losses (ii) Non-financial assets".

(6) Intangible Assets

Intangible assets are measured using the cost model and stated at cost less accumulated depreciation and accumulated impairment losses.

(i) Intangible assets acquired separately

Intangible assets acquired separately with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately with indefinite useful lives are carried at cost less accumulated impairment losses, without being amortized but tested for impairment, in the same way as goodwill.

(ii) Internally generated intangible assets

Expenditure on research is recognized as an expense in the consolidated statements of profit or loss in the fiscal year in which it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following can be demonstrated:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale
b) its intention to complete the intangible asset and use or sell it
c) its ability to use or sell the intangible asset
d) how the intangible asset will generate probable future economic benefits
e) the availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset
f) its ability to measure reliably the expenditure attributable to the intangible asset during its development

The cost of an internally generated intangible asset is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria above to the completion of its development. If an internally generated asset is not recognized, a development cost is recognized as an expense in the consolidated statements of profit or loss in the fiscal year in which it is incurred.

After initial recognition, an internally generated intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

(iii) Intangible assets acquired in business combinations

The cost of intangible assets acquired in a business combination is measured at fair value at the acquisition date. After initial recognition, intangible assets acquired in a business combination are carried at cost less accumulated amortization and accumulated impairment losses.

(iv) Amortization of intangible assets

Intangible assets with finite useful lives are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of major classes of assets are as follows.

Software: 3 to 5 years
Development assets: 2 to 10 years

Estimated useful lives and amortization methods are reviewed at each reporting date, and any revisions are applied as revisions to accounting estimates prospectively.

(v) Derecognition of intangible assets

An item of intangible assets is derecognized on disposal or when it is withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising from derecognition of an item of intangible assets is included in profit or loss when it is derecognized.

For policies on impairment of intangible assets, see "(15) Impairment Losses (ii) Non-financial assets".

(7) Leases

Toyota Industries determines whether or not a contract contains a lease based on the substance of such contract by examining whether the performance of the contract relies on using specific assets or an asset group and whether the contract gives the right to use the asset.

Contracts containing leases are classified as finance leases whenever substantially all risks and economic values incidental to the ownership of assets are transferred to the lessee, and other leases are classified as operating leases.

(i) Leases as lessee

Finance leases are recorded as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments on the consolidated statements of financial position, as calculated at commencement of the lease term. Lease assets are depreciated on a straight-line basis based on accounting policies applied to the assets. Financial expenses are allocated to each period over the lease term so that the interest rate will be proportional to the liability balance.

Payments under operating leases are recognized on a straight-line basis over the period of the lease.

(ii) Leases as lessor

An investment asset held under a financial lease is recorded as a receivable at an amount equal to the net investment in the lease. If Toyota Industries is a manufacturer or distributor lessor in a lease, selling profit or loss in a financial lease is recognized in accordance with the accounting policy it follows for sales of goods (see "(12) Profits"). Financial income is recognized from commencement of the lease term based on the effective interest method. If Toyota Industries is not a manufacturer or distributor lessor in a lease, financial income is recognized from commencement of the lease term based on the effective interest method. The interest rate implicit in the lease is the discount rate that causes the aggregate present value of the minimum lease payments receivable and the unguaranteed residual value to be equal to the sum of the fair value of the leased asset and any initial direct costs.

Income from operating leases is recognized on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(8) Provisions

The Company recognizes provisions if it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of obligation can be reliably estimated.

In case the time value of money is material, the amount of a provision is measured at the present value of the amount of expenditures expected to be required to settle the obligation.

(9) Government Grants

A government grant is recognized at fair value when there is reasonable assurance that Toyota Industries will comply with any conditions attached to the grant and it will receive the grant. When a grant is received for acquisition of an asset, the carrying amount of the asset is calculated by deducting the amount of the grant from the acquisition cost of the asset.

(10) Employee Benefits

(i) Post-employment benefits

Toyota Industries adopts the pension and lump-sum payment defined benefit plan and the defined contribution plan.

Toyota Industries' liabilities (assets) in respect of defined benefit plans is calculated for each plan by estimating the amount of future benefits earned by employees in the previous fiscal year and the fiscal year under review, discounting that amount to the present value, deducting the fair value of plan assets, making adjustments concerning the asset ceiling to that amount and, where necessary, considering economic benefits available. Remeasurements of liabilities (assets) in respect of defined benefit plans are recognized in other comprehensive income and at the time of their occurrence directly transferred from other components of equity to retained earnings. Prior service cost is recognized in profit or loss as it occurs. Market yields on high-quality corporate bonds with roughly the same maturity as that of Toyota Industries' net defined benefit liabilities at the end of the reporting period are used as the discount rate. Interest expenses on liabilities (asset) in respect of defined benefit plans are presented as financial expenses.

Contributions under the defined contribution plan are expensed as the employees' services are provided.

(ii) Short-term employee benefits

Short-term employee benefits are expensed as the relevant services are provided and are not discounted.

For bonuses, if Toyota Industries has the present legal and constructive obligation to pay them as the result of past services provided by employees and the amount can be reliably estimated, the amount estimated to be paid is recognized as a liability.

(iii) Other long-term employee benefits

The amount of an obligation in respect of the long-service travel award scheme is calculated by estimating the amount of future benefits earned by employees in the current and prior fiscal years and discounting that amount to the present value.

Market yields on high-quality corporate bonds with roughly the same maturity as that of Toyota Industries' long-term employee benefits at the end of the reporting period are used as the discount rate.

(iv) Share-based compensation

Toyota Industries adopts the cash-settled share-based compensation plan for some of its subsidiaries outside Japan. Cash-settled share-based compensation is measured at the fair value of the goods or services received and liabilities incurred. The fair value of the liabilities is remeasured at the end of each reporting period and on the settlement date, and changes in fair value are recognized in profit or loss.

(11) Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Group recognizes a financial asset or a financial liability when it becomes a party to the contract of a financial instrument. A purchase or sale of financial assets is recognized or derecognized at the trade date.

(i) Non-derivative financial assets

Toyota Industries categorizes non-derivative assets into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI) and financial assets measured at fair value through profit or loss (FVTPL).

For details of fair value measurement, see "29. Financial Instruments (3) Fair value of financial instruments".

(Financial assets measured at amortized cost)

Toyota Industries categorizes financial assets as financial assets measured at amortized cost if financial assets are held with the objective of collecting contractual cash flows and their contractual terms provide cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding. Financial assets measured at amortized cost are initially measured at fair value. The carrying amount of financial assets measured at amortized cost is subsequently measured using the effective interest method.

(Financial assets measured at fair value)

Toyota Industries categorizes financial assets other than financial assets measured at amortized cost as financial assets measured at fair value. Financial assets measured at fair value are further divided into the following classifications according to holding purpose.

(Equity instruments measured at fair value through other comprehensive income (FVTOCI))

Shares and other financial assets held mainly for the purpose of maintaining or enhancing business relationships with investees are designated at initial recognition as financial assets at FVTOCI.

Equity instruments at FVTOCI are measured at fair value at initial recognition and changes in fair value thereafter are recognized in other comprehensive income. However, dividends arising from financial assets at FVTOCI are in principle recognized in profit or loss.

If an equity instrument at FVTOCI is derecognized, the cumulative amount of other comprehensive income recognized in other components of equity on the consolidated statements of financial position is directly transferred to retained earnings.

(Financial assets measured at fair value through profit or loss (FVTPL))

Financial assets not designated as financial assets at FVTOCI of financial assets measured by Toyota Industries are classified as financial assets at FVTPL.

Financial assets at FVTPL are measured at fair value at initial recognition and changes in fair value thereafter are recognized in profit or loss.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value at initial recognition and thereafter at amortization cost using the effective interest method.

A financial liability is derecognized when its contractual obligations are discharged or canceled, or expire.

(iii) Derivatives

Toyota Industries holds derivative financial instruments to hedge foreign currency and interest rate fluctuation risks, including foreign currency forward contracts, currency options, currency swaps, interest rate swaps and interest rate currency swaps.

For all of these derivatives, Toyota Industries recognizes financial assets or financial liabilities when it becomes the party to these derivatives contracts.

Some of derivatives Toyota Industries holds for hedging purposes do not meet hedge accounting requirements. Changes in fair value of these derivatives are immediately recognized in profit or loss.

Toyota Industries adopts cash flow hedges only as a hedge accounting method.

(iv) Offsetting financial assets and liabilities

Financial assets and liabilities are offset and reported as net amounts in the consolidated statements of financial position only if Toyota Industries currently has a legally enforceable right to set off the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(12) Profits

Profits are measured at the fair value of the consideration received or receivables for goods and services provided less sales related taxes.

(i) Sales of goods

Revenue from the sales of goods is recognized when the significant risks and economic values of ownership of the goods have been transferred to the customer; Toyota Industries has neither continuing managerial involvement nor effective control over the goods sold; the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably; and the collectibility of consideration is high. The timing of transferring risks and rewards of ownership of goods varies depending on the conditions of individual terms of sales contracts. Normally, revenue is recognized when a customer accepts goods after inspection.

Toyota Industries provides incentives to distributors. If these incentives are discounts to distributors, they are estimated and recognized when products are sold and recorded as reduction to revenue.

(ii) Provision of services

Revenue from the provision of services is recognized over the terms of individual service contracts.

(iii) Multiple-element transactions

Toyota Industries enters into multiple-element arrangements that include various elements such as products and maintenance. If elements of a multiple-element arrangement meet the following criteria, Toyota Industries allocates the arrangement consideration to individual elements based on each component's relative fair value and recognizes revenue for each element.

Each element has stand-alone value to the customer.

The fair value of each element can be reliably measured.

If the above criteria are not met, revenue as one stand-alone accounting unit is deferred until undelivered products or services are delivered.

(13) Financial Income and Financial Expenses

Financial income includes interest income, dividends income, gains on foreign currency translation and gain on derivatives (excluding gain or loss on hedging instruments that are recognized in other comprehensive income). Interest income is recognized as earned using the effective interest method. Dividends income is recognized on the date of Toyota Industries' vesting.

Financial expenses include interest expense, losses on foreign currency translation and loss on derivatives (excluding loss on hedging instruments that are recognized in other comprehensive income).

(14) Income Taxes

Income taxes comprise current taxes and deferred taxes. These are recognized in profit or loss except taxes that arise from items that are recognized either in other comprehensive income or directly in equity or from business combinations.

Taxes for the fiscal year under review are the expected taxes payable or receivable on the taxable profit or loss for the year, using the tax rates and tax laws enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized on temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their tax basis. Deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of an asset or liability in a transaction not related to a business combination and affects neither accounting profit nor taxable profit. Also, deferred tax liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates. However, deferred tax liabilities are not recognized if Toyota Industries is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period in which the asset realized or the liability is settled based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when income taxes are levied by the same taxation authority on the same taxable entity, or on different taxable entities that intend either to settle current tax assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that taxable profits will be available against which they can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be earned to allow related tax benefits to be realized.

(15) Impairment Losses

(i) Financial assets

Financial assets measured at amortized cost are assessed for impairment losses based on expected credit losses.
At the end of the reporting period, if credit risk has not increased significantly after initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from default events that are possible within 12 months after the reporting date (12-month expected credit losses). On the other hand, at the end of the reporting period, if credit risk has increased significantly after initial recognition, the amount of loss allowance is calculated based on the expected credit losses resulting from all possible default events over the life of the financial instrument (lifetime expected credit losses).

However, regardless of the above, lifetime expected credit loss measurement always applies to trade receivables and lease investment assets without a significant financing component.

For details, see "29. Financial Instruments (2) Matters concerning risk management".

(ii) Non-financial assets

Toyota Industries reviews carrying amounts of non-financial assets, excluding inventories and deferred tax assets, at every reporting fiscal year-end to determine whether there is any indication of impairment. If there is any indication of impairment, impairment testing is conducted based on the recoverable amount of the asset. Goodwill and intangible assets with indefinite useful lives are tested annually for impairment regardless of whether there is any indication of impairment.

A cash-generating unit (CGU), which is a unit for conducting impairment testing, is the smallest group of assets that generates cash inflows that are generally independent of cash flows of other assets or groups of assets. A CGU for goodwill is the smallest unit monitored for internal control purposes and is no larger than an operating segment before aggregation. Impairment testing for goodwill is conducted at a CGU or a group of CGUs for the smallest unit monitored for internal control purposes and within the scope of an operating segment before aggregation.

The recoverable amount of an asset or CGU is the greater of its value in use or its fair value less cost to sell. In calculating the value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of money and risks specific to the asset not considered in estimating future cash flows.

Because corporate assets do not generate independent cash inflows, if there is an indication that a corporate asset may be impaired, impairment testing is conducted based on the recoverable amount for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. An impairment loss recognized in relation to a CGU is allocated to reduce the carrying amount of assets within the CGU on a pro rata basis determined by the relative carrying amount of each asset.

An asset or CGU impaired in prior years is reviewed at every reporting fiscal year-end to determine whether there is any indication of a reversal of impairment loss recognized in prior years. The recoverable amount is estimated for an impairment loss recognized in prior years for an asset or CGU with an indication of reversal of impairment, and the impairment loss is reversed if the recoverable amount exceeds the carrying amount. The carrying amount after reversal of the impairment loss must not exceed the carrying amount of the asset that would be determined if no impairment had been recognized and the asset had been depreciated or amortized until the reversal. An impairment loss recognized for goodwill is not reversed.

(16) Earnings per Share

Basic earnings per share are calculated by dividing profit attributable to ordinary equity holders of the parent entity by the weighted-average number of common stock issued and outstanding after adjusting treasury stock for each calculation period. Diluted earnings per share take into account the impacts of all dilutive shares that bear the effects of dilution in calculating the weighted-average number of shares issued and outstanding.

(17) Reporting by Segment

An operating segment is one of the constituent units of any business activity that earns revenue and incurs expenses, including transactions with another operating segment. The results of all operating segments are such that their financial information can be obtained individually and are periodically reviewed by the management for allocating management resources to each segment and assessing operating performance.

(18) Discontinued operations

Operations that have been already disposed of or operations that are maintained for sales are classified as discontinued operations.

4. Segment Information

The operating segments reported below are the segments of Toyota Industries for which separate financial information is available and for which operating profit (loss) amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The reporting segments of Toyota Industries consist of Automobile, Materials Handling Equipment and Textile Machinery. The similarity of products and services are taken into account for the separation. Within the Automobile Segment, vehicles, engines, car air-conditioning compressors and others are included due to the similarity of their economic characteristics such as net sales. The main products and services of each segment are as follows.

Segment	Main products and services of each segment
Automobile	Vehicles, diesel and gasoline engines, car air-conditioning compressors, electronic components for automobiles, foundry parts for engines
Materials Handling Equipment	Lift trucks, warehouse trucks, automated storage and retrieval systems, aerial work platforms
Textile Machinery	Weaving machinery, spinning machinery, instruments for yarn testing and cotton classing

The accounting method of reporting segment information is based on "3. Significant Accounting Policies".
Segment profit is based on operating profit.

(1) Operating segment information

(i) Sales, profits or losses, assets, liabilities and other significant monetary information

Transition date (April 1, 2015)

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated
Segment assets	576,013	1,041,977	64,060	357,894	2,039,946	2,709,469	4,749,415

(Notes) 1. "Others" represents businesses not included in the reporting segments, and its primary service is the land transportation. It also includes the assets of the subsidiary divested in the fiscal year ended March 31, 2016. Please refer to "31. Discontinued Operations" for details.

2. Breakdown of adjustments

"Adjustments" for "Segment assets" includes corporate assets. Corporate assets mainly consist of the Company's cash and deposits as well as investment securities.

Other significant items

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note)	Total	Adjustments	Consolidated
Investments accounted for by the equity method	6,424	7,852	49	6	14,332	—	14,332

(Note) "Others" represents businesses not included in the reporting segments, and its primary service is the land transportation.

FY2016 (April 1, 2015 - March 31, 2016)

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	556,505	1,019,438	65,684	55,228	1,696,856	—	1,696,856
Inter-segment transactions	25,162	2,450	224	23,750	51,588	(51,588)	—
Total	581,668	1,021,889	65,908	78,979	1,748,445	(51,588)	1,696,856
Segment profit	32,778	91,719	6,561	5,306	136,365	660	137,026
Segment assets	566,700	1,291,610	49,768	238,279	2,146,358	2,170,924	4,317,282
Financial income							67,264
Financial expenses							(13,536)
Share of profit (loss) of investments accounted for by the equity method							632
Profit before income taxes							191,386

(Notes) 1. "Others" represents businesses not included in the reporting segments, and its primary service is the land transportation.

2. Breakdown of adjustments

660 million yen included in "Adjustments" for "Segment profit" is inter-segment transactions.

"Adjustments" for "Segment assets" includes corporate assets.

Corporate assets mainly consist of the Company's cash and deposits as well as marketable securities and investment securities.

3. "Segment profit" reconciles to operating profit disclosed in the consolidated statements of profit or loss.

Other significant items

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note)	Total	Adjustments	Consolidated
Depreciation and amortization	54,632	77,604	4,034	7,565	143,836	—	143,836
Impairment losses (amount in parenthesis has been reversed)	—	2,034	—	—	2,034	—	2,034
Investments accounted for by the equity method	5,734	7,803	49	6	13,593	—	13,593
Increase in property, plant and equipment and intangible assets	35,169	128,502	5,937	7,393	177,003	—	177,003

(Note) "Others" represents businesses not included in the reporting segments, and its primary service is the land transportation.

FY2017 (April 1, 2016‐ March 31, 2017)

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	562,672	988,148	66,288	58,039	1,675,148	—	1,675,148
Inter-segment transactions	23,816	1,142	210	23,408	48,578	(48,578)	—
Total	586,489	989,290	66,498	81,448	1,723,727	(48,578)	1,675,148
Segment profit	24,964	89,475	6,868	6,051	127,359	(14)	127,345
Segment assets	540,453	1,352,270	46,978	286,030	2,225,732	2,332,479	4,558,212
Financial income							63,734
Financial expenses							(10,067)
Share of profit (loss) of investments accounted for by the equity method							974
Profit before income taxes							181,986

(Notes) 1. "Others" represents businesses not included in the reporting segments, and its primary service is the land transportation.
2. Breakdown of adjustments
(14) million yen included in "Adjustments" for "Segment profit" is inter-segment transactions.
"Adjustments" for "Segment assets" includes corporate assets.
Corporate assets mainly consist of the Company's cash and deposits as well as marketable securities and investment securities.
3. "Segment profit" reconciles to operating profit disclosed in the consolidated statements of profit or loss.

Other significant items

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note)	Total	Adjustments	Consolidated
Depreciation and amortization	54,524	88,183	3,235	3,013	148,957	—	148,957
Impairment losses (amount in parenthesis has been reversed)	19	2,116	—	—	2,136	—	2,136
Investments accounted for by the equity method	263	8,354	49	6	8,673	—	8,673
Increase in property, plant and equipment and intangible assets	47,200	145,584	3,355	4,195	200,334	—	200,334

(Note) "Others" represents businesses not included in the reporting segments, and its primary service is the land transportation.

(2) Sales by product

Outside customer sales by product consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Sales:		
Automobile	556,505	562,672
Vehicle	70,180	73,133
Engine	78,627	90,062
Car air-conditioning compressor	342,992	334,744
Electronic components and foundry parts	64,706	64,731
Materials Handling Equipment	1,019,438	988,148
Textile Machinery	65,684	66,288
Others	55,228	58,039
Total	1,696,856	1,675,148

(3) Geographical information

Outside customer sales

(Millions of yen)

	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Sales:		
Japan	514,046	536,872
U.S.A.	499,340	452,334
Others	683,470	685,941
Total	1,696,856	1,675,148

(Note) Net sales are provided by location of customer.

Non-current assets

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Non-current assets:			
Japan	451,040	381,578	394,209
U.S.A.	205,180	337,212	345,869
Others	290,291	288,780	283,153
Total	946,512	1,007,571	1,023,232

(Note) Non-current assets (excluding financial instruments, deferred tax assets, net defined benefit asset, and rights arising from insurance contracts) are provided by location of assets.

(4) Principal customer information

Toyota Industries sells goods to DENSO Corporation and its subsidiaries. Sales from DENSO amounted to 324,548 million yen and 338,323 million yen for the fiscal years ended March 31, 2016 and 2017, respectively and were included in the outside customer sales of the Automobile, Materials Handling Equipment and Others segments.

Toyota Industries sells goods and provides services to Toyota Motor Corporation and its subsidiaries. Sales from Toyota Motor Corporation amounted to 197,903 million yen and 205,938 million yen for the fiscal years ended March 31, 2016 and 2017, respectively and were included in the outside customer sales of the Automobile, Materials Handling Equipment and Others segments.

5. Business Combinations

The summary of a business combination through acquisition in the fiscal year ended March 31, 2016 is as follows.

(Business combination through acquisition)

(1) Outline of business combination

(i) Name and business of acquiree

Name: Toyota Motor Credit Corporation (hereinafter, "TMCC")

Business content: Business of the Commercial Finance Department (sales financing and other businesses for TOYOTA-brand materials handling equipment in the United States)

(ii) Main purpose of business combination

By means of acquiring TMCC's financial assets and personnel, the Company aims to gain know-how concerning the sales financing business for materials handling equipment that TMCC has accumulated over the past 30 years in its efforts to strengthen the sales financing business in the United States and promote full-fledged development of sales financing business on a global scale.

(iii) Date of business combination

October 1, 2015

(iv) Measure of business combination

Transfer of business involving cash and cash equivalents

(v) Name of acquiree after business combination

Toyota Industries Commercial Finance, Inc.

(vi) Basis of determination of acquirer

By the reason of (2), transfer of business involving cash and cash equivalents

(2) Period of the acquiree's financial results included in the consolidated financial statements

From October 1, 2015 through March 31, 2016

(3) Acquisition cost of acquiree

Consideration for acquisition (cash): 277,643 million yen

Acquisition cost: 277,643 million yen

(4) Content and amount of principal acquisition-related expenses

Advisory fees and other expenses: 99 million yen

The above amount is included in "Other expenses".

(5) Amount of goodwill generated and reason for generating goodwill

(i) Amount of goodwill

27,545 million yen

(ii) Reason for generating goodwill

Because the acquisition cost exceeded the amount of assets acquired and net liabilities assumed, the excess amount is recorded as goodwill. The content of goodwill primarily represents synergistic effects between surplus earnings capacity and existing businesses. In addition, goodwill is not deductible for tax purposes.

(6) Identified assets acquired and liabilities assumed upon business combination

Machinery and vehicles	119,091	million yen
Loans receivable related to financing business	95,132	
Lease investment assets	36,558	
Other assets	641	
Total assets	251,422	
Advance received	862	
Other liabilities	460	
Total liabilities	1,323	

(Note) The amount of goodwill, as referred to under "(5) (i) Amount of goodwill", is not included in assets.

(7) Fair values of the loans acquired, contractual amount of receivables and estimated amount of uncollectible accounts

(Millions of yen)

	Fair values of the loans acquired	Contractual amount of receivables	Estimated amount of uncollectible accounts
Loans receivable related to financing business	95,132	95,635	502
Lease investment assets	36,558	36,751	193

(8) Sales and profit from the acquiree

Sales of the acquiree made from the acquisition date, which are recorded in the consolidated statements of profit or loss, were 20,344 million yen before eliminations of inter-company transactions, and the loss was (655) million yen.

Assuming that the business combination was completed at the beginning of the fiscal year ended March 31, 2016, the sales and the profit in the consolidated statements of profit or loss would be 1,715,822 million yen and 201,628 million yen, respectively. These figures, however, do not take into account the eliminations of inter-company transactions and do not indicate the actual operating results if the business combination had been completed at the beginning of the fiscal year. This pro-forma information is not subject to audit.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Cash and deposits	214,621	81,804	243,685
Short-term investments (securities) which have an original maturity within three months	34,085	10,594	—
Total	248,706	92,399	243,685

The balance of cash and cash equivalents on the consolidated statements of financial position as of the transition date, the end of the fiscal year ended March 31, 2016 and the end of the fiscal year ended March 31, 2017 are consistent with the balances of cash and cash equivalents on the consolidated statements of cash flows.

These short-term investments are financial assets measured at amortized cost.

7. Trade Receivables and Other Receivables

Trade receivables and other receivables consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Trade notes and accounts receivable	264,365	277,290	287,627
Loans for sales financing	—	91,611	92,668
Other receivables	23,051	22,307	22,365
Lease investment assets	193,377	238,690	248,974
Others	23	25	21
Elimination: Allowance for doubtful accounts	(4,403)	(4,679)	(4,965)
Total	476,414	625,246	646,691

These receivables are financial assets measured at amortized cost.

Amounts by collection or settlement period consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Due within 12 months	338,405	410,481	427,525
Due after 12 months	138,008	214,764	219,166
Total	476,414	625,246	646,691

8. Other Financial Assets

(1) Outline of other financial assets

Other financial assets consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Time deposits with deposit terms of over three months	32,652	270,498	162,668
Cash deposits for cash collection and deposit services	58,250	—	—
Loans	4,835	4,360	4,225
Stock	2,636,744	1,998,888	2,140,537
Derivative assets	19,300	15,047	14,600
Others	17,623	12,900	13,778
Total	2,769,408	2,301,695	2,335,811

Current assets	92,189	273,410	174,301
Non-current assets	2,677,218	2,028,284	2,161,509
Total	2,769,408	2,301,695	2,335,811

Deposits and loans are categorized as financial assets measured at amortized cost, stock is mainly categorized as financial assets measured at fair value through other comprehensive income and derivatives are categorized as financial assets measured at fair value through profit or loss (excluding items for which hedge accounting is applied). With respect to equity instruments measured at fair value through profit or loss, there is no monetary significance.

(2) Financial assets measured at fair value through other comprehensive income

Toyota Industries designates investments in equity instruments held for maintaining and reinforcing business relations as financial assets measured at fair value through other comprehensive income in consideration of the purpose of holding them.

Name and fair values of financial assets measured at fair value through other comprehensive income consist of the following.

(Millions of yen)

Name	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Toyota Motor Corporation	1,882,114	1,336,317	1,385,274
DENSO Corporation	380,370	313,842	339,718
Toyota Tsusho Corporation	125,377	100,105	132,660
Aisin Seiki Co., Ltd.	90,301	87,815	113,290
Towa Real Estate Co., Ltd.	68,318	76,861	73,056
Toyota Boshoku Corporation	11,666	14,226	20,036
JTEKT Corporation	14,657	11,407	13,508
Ibiden Co., Ltd.	12,613	8,562	10,788
Toray Industries, Inc.	7,235	6,891	7,091
Aichi Steel Corporation	7,768	5,999	6,026
Others	41,960	42,153	44,339
Total	2,642,384	2,004,183	2,145,791

(3) Derecognition of financial assets measured at fair value through other comprehensive income

To increase efficiency and promote the effective use of assets in holding, a part of financial assets measured at fair value through other comprehensive income is sold, thereby terminating recognition thereof.

Fair value at the time of sale and cumulative profit or loss recognized as other comprehensive income for each fiscal year consist of the following. Concerning the dividends recognized during the fiscal year ended March 31, 2017, those relating to the investment whose recognition was suspended during the fiscal year were immaterial. Cumulative profit or loss related to the disposal of financial liabilities is fully reclassified into retained earnings.

(Millions of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Fair value at the time of termination of recognition	448	1,758
Cumulative profit or loss related to disposal	225	892

(Note) Financial assets measured at fair value through other comprehensive income include debt instruments but they were immaterial.

9. Inventories

Inventories consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Merchandise and finished goods	86,885	93,102	92,258
Work in process	41,410	39,698	40,735
Raw materials and supplies	64,651	63,181	61,432
Total	192,947	195,982	194,427

Expenses reclassified from inventories amount to 1,291,859 million yen and 1,278,378 million yen for the fiscal years ended March 31, 2016 and 2017, respectively.

The amount of write-down recognized as expenses (continuing business) and the reversal amount of write-down consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Amount of write-down	2,130	2,093
Reversal amount of write-down	329	115

10. Property, Plant and Equipment

(1) Increase (decrease)

Acquisition cost

(Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2015	420,553	1,066,866	159,087	123,879	53,451	1,823,838
Acquisition	4,629	97,773	9,292	597	53,869	166,162
Increase through business combination	950	119,696	139	2,613	—	123,400
Disposal	(2,654)	(63,948)	(10,604)	(84)	(53)	(77,345)
Decrease as a result of change in scope of consolidation	(19,964)	(14,026)	(30,920)	(4,119)	(238)	(69,269)
Foreign currency translation difference	(6,721)	(41,516)	(4,158)	(358)	(1,617)	(54,373)
Others	10,271	57,769	7,443	613	(82,890)	(6,791)
Balance at March 31, 2016	407,063	1,222,614	130,279	123,141	22,522	1,905,622
Acquisition	7,573	121,039	5,850	201	54,324	188,989
Increase through business combination	—	—	—	—	—	—
Disposal	(3,454)	(62,454)	(7,756)	(4)	(284)	(73,954)
Decrease as a result of change in scope of consolidation	—	—	—	—	—	—
Foreign currency translation difference	(2,974)	(16,144)	(1,746)	(224)	(230)	(21,319)
Others	8,358	(222)	6,010	2,575	(50,446)	(33,723)
Balance at March 31, 2017	416,566	1,264,833	132,637	125,690	25,885	1,965,613

(Notes) 1. The amount related to property, plant and equipment in progress is presented as "Construction in progress".

(Notes) 2. "Others" includes transfers from "Construction in progress" to the permanent accounts.

Accumulated depreciation and accumulated impairment losses (Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2015	223,167	742,243	117,313	942	–	1,083,667
Depreciation	13,311	101,602	15,713	–	–	130,627
Disposal	(2,277)	(45,817)	(9,974)	–	–	(58,070)
Decrease as a result of change in scope of consolidation	(9,527)	(9,922)	(20,288)	–	–	(39,738)
Impairment losses (Reversal of impairment losses)	600	1,232	3	2	–	1,838
Foreign currency translation difference	(2,461)	(18,068)	(2,800)	–	–	(23,330)
Others	136	(4,785)	(121)	–	–	(4,770)
Balance at March 31, 2016	222,950	766,483	99,843	945	–	1,090,223
Depreciation	12,590	110,897	12,331	–	–	135,819
Disposal	(2,774)	(50,259)	(7,429)	–	–	(60,463)
Decrease as a result of change in scope of consolidation	–	–	–	–	–	–
Impairment losses (Reversal of impairment losses)	–	2,128	19	(16)	–	2,131
Foreign currency translation difference	(1,296)	(8,498)	(1,165)	–	–	(10,960)
Others	131	(24,492)	(104)	–	–	(24,465)
Balance at March 31, 2017	231,600	796,259	103,494	929	–	1,132,283

(Note) Depreciation of property, plant and equipment is included in mainly "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

Carrying amount (Millions of yen)

	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Total
Balance at April 1, 2015	197,385	324,622	41,774	122,936	53,451	740,171
Balance at March 31, 2016	184,113	456,130	30,436	122,196	22,522	815,399
Balance at March 31, 2017	184,965	468,573	29,143	124,760	25,885	833,329

(2) Lease assets

The carrying amounts of finance lease assets included in property, plant and equipment consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Buildings and structures	801	723	646
Machinery and vehicles	51,161	44,819	42,650
Tools, furniture and fixtures	9,878	362	296
Total	61,841	45,904	43,593

11. Goodwill and Intangible Assets

(1) Increase (decrease)

Acquisition cost (Millions of yen)

	Goodwill	Intangible assets recognized through business combination	Development assets	Software	Others	Total
Balance at April 1, 2015	95,020	78,550	16,358	43,450	13,567	246,947
Acquisition	—	—	—	3,564	142	3,707
Increase through business combination	32,481	3,834	—	567	209	37,093
Increase through in-house development	—	—	2,797	4,336	—	7,133
Decrease as a result of change in scope of consolidation	(38,304)	—	—	(3,866)	(24)	(42,195)
Disposal	—	—	(22)	(3,208)	(568)	(3,799)
Foreign currency translation difference	(5,384)	(5,401)	(350)	(796)	(444)	(12,378)
Others	305	—	54	431	(710)	80
Balance at March 31, 2016	84,119	76,983	18,836	44,479	12,171	236,589
Acquisition	—	—	—	3,091	217	3,309
Increase through business combination	—	—	—	—	—	—
Increase through in-house development	—	—	2,414	5,621	—	8,036
Decrease as a result of change in scope of consolidation	—	—	—	—	—	—
Disposal	—	—	(369)	(1,724)	15	(2,078)
Foreign currency translation difference	(1,607)	(1,631)	(193)	(578)	(359)	(4,370)
Others	1,184	—	0	609	221	2,016
Balance at March 31, 2017	83,696	75,351	20,689	51,499	12,265	243,502

Accumulated amortization and accumulated impairment losses (Millions of yen)

	Goodwill	Intangible assets recognized through business combination	Development assets	Software	Others	Total
Balance at April 1, 2015	—	9,402	5,032	23,693	5,775	43,904
Amortization	—	3,620	2,076	5,965	1,547	13,209
Disposal	—	—	(22)	(3,197)	(568)	(3,789)
Decrease as a result of change in scope of consolidation	—	—	—	(3,215)	(792)	(4,007)
Impairment losses (Reversal of impairment losses)	—	—	—	195	—	195
Foreign currency translation difference	—	(797)	(115)	(477)	(359)	(1,750)
Others	—	—	—	(130)	(249)	(380)
Balance at March 31, 2016	—	12,225	6,971	22,832	5,352	47,381
Amortization	—	3,319	2,094	6,561	1,163	13,138
Disposal	—	—	(369)	(1,707)	(5)	(2,081)
Decrease as a result of change in scope of consolidation	—	—	—	—	—	—
Impairment losses (Reversal of impairment losses)	—	—	—	4	—	4
Foreign currency translation difference	—	(221)	(12)	(396)	(30)	(660)
Others	—	—	0	(20)	(73)	(93)
Balance at March 31, 2017	—	15,323	8,683	27,274	6,406	57,689

(Note) Amortization of intangible assets is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

Carrying amount (Millions of yen)

	Goodwill	Intangible assets recognized through business combination	Development assets	Software	Others	Total
Balance at April 1, 2015	95,020	69,147	11,325	19,757	7,791	203,042
Balance at March 31, 2016	84,119	64,757	11,865	21,646	6,818	189,207
Balance at March 31, 2017	83,696	60,027	12,005	24,224	5,858	185,813

(Note) Intangible assets recognized through business combination include customer-related assets and technology-related assets.

(2) Lease assets

The carrying amount of finance lease assets included in intangible assets consists of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Software	721	161	81

(3) Impairment testing of goodwill

Toyota Industries performs, with respect to goodwill, impairment testing as necessary during each period or in case there is a sign of impairment. The recoverable value in impairment testing is calculated based on value in use.

Value in use is calculated by discounting the estimated amount of cash flows based on the business plan for the next five years that has been primarily approved by the management in present value. The estimation of cash flows is based on the assumption that cash flows of more than five years will increase at a certain growth rate. The growth rate is determined by referencing the long-term expected growth rate of the market in which cash-generating units belong (about 1 to 2%). The discount rate is calculated based on the weighted-average capital cost before tax of cash-generating units (about 5 to 18%).

Toyota Industries concluded that even if there were reasonably possible changes in key assumptions used in the impairment assessment, it is unlikely that a material impairment would arise.

With respect to the balance of goodwill as of the transition date, the end of the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017, major items include: goodwill recognized in conjunction with the acquisition of the Cascade Corporation Group in the Materials Handling Equipment Segment; goodwill recognized in conjunction with the business transfer of Toyota Industries Commercial Finance, Inc. (TICF); and goodwill recognized in conjunction with the acquisition of the Uster Technologies AG Group in the Textile Machinery Segment. Goodwill recognized in conjunction with the acquisition of the Cascade Corporation Group is allocated to this group and amounts to 29,335 million yen, 27,506 million yen and 27,387 million yen as of the transition date, the end of the fiscal year ended March 31, 2016 and the end of the fiscal year ended March 31, 2017, respectively. Goodwill recognized in conjunction with the transfer of business of TICF during the fiscal year ended March 31, 2016 is allocated to the Materials Handling Equipment Business in North America which is functioning as the cash-generating unit and amounts to 26,239 million yen and 26,315 million yen as of the end of the fiscal years ended March 31, 2016 and 2017, respectively. Goodwill recognized in conjunction with the acquisition of the Uster Technologies AG Group is allocated to this group and amounts to 15,460 million yen, 14,503 million yen and 13,923 million yen, on the transition date, the end of the fiscal year ended March 31, 2016 and the end of the fiscal year ended March 31, 2017, respectively.

12. Investments Accounted for by the Equity Method

There are no affiliates of individual significance in the fiscal years ended March 31, 2016 and 2017. The carrying amounts of investments in affiliates consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Total carrying amount	14,332	13,593	8,673

The amounts of equity in comprehensive income of affiliates of no individual significance consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Amount of equity in profit	632	974
Amount of equity in other comprehensive income	(707)	183
Amount of equity in comprehensive income	(75)	1,158

While the amount of equity in profit in the previous fiscal year includes the amount of discontinued operations, disclosure is omitted because the monetary value is immaterial.

13. Trade Payables and Other Payables

Trade payables and other payables consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Trade notes and accounts payable	205,379	213,907	241,924
Accounts payable- other	29,363	25,792	28,135
Others	119,900	116,181	117,273
Total	354,643	355,882	387,333

Trade payables and other payables are primarily financial liabilities measured at amortized cost. "Others" mainly includes short-term employee debt and accrued expenses.

Breakdown by period until payment or settlement consists of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Due within 12 months	354,641	355,878	387,321
Due after 12 months	1	3	11
Total	354,643	355,882	387,333

14. Corporate Bonds and Loans

Corporate bonds and loans consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Average interest rate (%)	Repayment due
Short-term loans payable	55,369	121,572	55,211	2.39	－
Commercial paper	－	－	52,508	－	－
Long-term loans payable due within one year	44,367	49,271	193,947	1.46	－
Corporate bonds due within one year	47,053	19,999	9,996	－	－
Long-term loans payable	439,705	520,663	405,125	1.49	April 2018－December 2024
Corporate bonds	185,676	190,760	260,765	－	－
Total	772,121	902,268	977,554	－	－

(Note) The average interest rate reflects the weighted-average interest rate against the balance at the end of the fiscal year ended March 31, 2017. In regard to loans payable for which derivative transactions, such as interest rate swaps, are used to avoid interest rate fluctuation risks, calculations are based on the interest rate after hedging by derivative transactions. Rates for corporate bonds are indicated in the summary of issuance terms of corporate bonds.

Corporate bonds and loans are financial liabilities measured at amortized cost.

The summary of issuance terms of corporate bonds consists of the following.

(Millions of yen)

Company name	Name	Issuance date	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Interest rate (%)	Collateral	Maturity date
The Company	15th issuance of corporate bonds without collateral	November 21, 2005	29,996	—	—	1.660	None	September 18, 2015
The Company	16th issuance of corporate bonds without collateral	October 20, 2006	19,987	19,995	—	1.950	None	September 20, 2016
The Company	17th issuance of corporate bonds without collateral	September 26, 2008	25,970	25,979	25,987	1.720	None	September 20, 2018
The Company	18th issuance of corporate bonds without collateral	April 22, 2009	49,942	49,957	49,971	2.109	None	March 20, 2019
Toyota Industries Finance International AB	Medium-term notes	April 22, 2010- June 28, 2010	7,053 [504 million Swedish krona]	—	—	0.450 - 0.740	None	April 23, 2015- June 17, 2015
The Company	19th issuance of corporate bonds without collateral	September 13, 2011	29,931	29,941	29,952	1.109	None	September 17, 2021
The Company	20th issuance of corporate bonds without collateral	November 30, 2012	9,996	—	—	0.181	None	September 18, 2015
The Company	21st issuance of corporate bonds without collateral	November 30, 2012	9,984	9,991	9,996 (9,996)	0.265	None	September 20, 2017
The Company	22nd issuance of corporate bonds without collateral	November 30, 2012	9,970	9,974	9,978	0.821	None	September 20, 2022

(Millions of yen)

Company name	Name	Issuance date	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Interest rate (%)	Collateral	Maturity date
The Company	23rd issuance of corporate bonds without collateral	September 5, 2013	9,975	9,980	9,984	0.554	None	September 18, 2020
The Company	24th issuance of corporate bonds without collateral	September 5, 2013	9,971	9,975	9,978	0.797	None	June 20, 2023
The Company	25th issuance of corporate bonds without collateral	September 11, 2014	9,977	9,982	9,987	0.234	None	September 20, 2019
The Company	26th issuance of corporate bonds without collateral	September 11, 2014	9,971	9,976	9,980	0.361	None	September 17, 2021
The Company	27th issuance of corporate bonds without collateral	May 29, 2015	—	9,979	9,984	0.207	None	June 19, 2020
The Company	28th issuance of corporate bonds without collateral	May 29, 2015	—	9,973	9,977	0.318	None	June 20, 2022
The Company	Medium-term notes	June 19, 2015	—	5,054 [USD44 million]	5,036 [USD44 million]	0.075	None	June 19, 2020
The Company	29th issuance of corporate bonds without collateral	July 15, 2016	—	—	19,938	0.080	None	June 19, 2026
Toyota Industries Commercial Finance, Inc.	Medium-term notes	January 31, 2017- March 15, 2017	—	—	10,097 [USD90 million]	2.630 - 2.871	None	January 31, 2022- March 16, 2022
The Company	30th issuance of corporate bonds without collateral	March 9, 2017	—	—	49,910	0.001	None	March 19, 2020

(Millions of yen)

Company name	Name	Issuance date	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Interest rate (%)	Collateral	Maturity date
Total	―	―	232,729	210,760	270,762 (9,996)	―	―	―

(Notes) 1. The figure in parentheses in the "FY2017" is the amount of scheduled redemptions within a year.

(Notes) 2. In regard to corporate bonds for which derivative transactions, such as interest rate swaps, are used to avoid interest rate fluctuation risks, the interest rate after hedging with derivative transactions is indicated.

15. Other Financial Liabilities

Other financial liabilities consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Lease obligations	169,308	147,116	117,080
Derivative liabilities	3,367	4,164	3,560
Deposits payable	87,623	30,408	30,541
Total	260,299	181,688	151,182

Current liabilities	138,667	75,440	71,807
Non-current liabilities	121,632	106,248	79,375
Total	260,299	181,688	151,182

Lease liabilities and deposits payable are categorized as financial liabilities measured at amortized cost and derivative liabilities are categorized as financial liabilities measured at fair value through profit or loss (excluding items for which hedge accounting is applied).

16. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Investment securities	143,192	114,288	122,108
Inventories	1,591	1,227	931
Property, plant and equipment	1,247	612	575
Others	1,566	835	1,517
Total	147,596	116,963	125,132

Secured liabilities consist of the following.

Security interest may be exercised in case there is a breach of financial covenants or non-fulfillment of a loan agreement.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Short-term loans payable	3,554	2,096	2,628
Long-term loans payable	715	68	64
Others	27,284	28,553	29,358
Total	31,554	30,718	32,050

17. Provisions

Provisions are recorded in current liabilities and non-current liabilities on the consolidated statement of financial position.

Increase (decrease) of provisions in the fiscal years ended March 31, 2016 and 2017 consist of the following.

(Millions of yen)

	Warranty provision	Asset retirement obligation	Others	Total
Balance at April 1, 2015	4,170	2,633	5,095	11,899
Increase due to provisions	7,567	291	5,079	12,938
Increase through business combination	—	—	—	—
Decrease as a result of change in scope of consolidation	—	(715)	—	(715)
Decrease due to intended use	(3,382)	(186)	(3,721)	(7,291)
Decrease due to reversal	(229)	—	(236)	(466)
Interest expenses based on discount calculation, foreign currency translation difference and others	(20)	(11)	(107)	(138)
Balance at March 31, 2016	8,104	2,011	6,109	16,225
Increase due to provisions	5,903	196	1,802	7,901
Increase through business combination	—	—	—	—
Decrease as a result of change in scope of consolidation	—	—	—	—
Decrease due to intended use	(7,169)	(147)	(1,785)	(9,102)
Decrease due to reversal	(19)	—	(427)	(447)
Interest expenses based on discount calculation, foreign currency translation difference and others	(122)	(10)	(568)	(700)
Balance at March 31, 2017	6,695	2,050	5,131	13,877

Asset retirement obligations are accounted for by recognizing provision for asset demolition/disposal expenses, expenses for restoring an asset to its original condition and payments arising as a result of using assets as well as by adding to the acquisition cost of the respective assets (property, plant and equipment, such as buildings). The respective assets are depreciated over the number of years of depreciation as indicated "3. Significant Accounting Policies".

The warranty provision is recorded by recognizing the amount of expected expense payments required for future repairs. It is expected in many cases that a repair or a payment is made within a year, while repairs or payments for some items are made over a longer period of time because customers take longer to physically return defective products.

"Others" mainly includes provision for litigation.

18. Employee Benefits

In regard to total expenses for employee benefits plans including other than post-employment plans, refer to "21. Breakdown of Expenses by Nature".

(1) Overview of post-employment plans adopted

To provide for employee retirement benefits, Toyota Industries has adopted pension and lump-sum payment defined benefit plans as well as defined contribution pension plans. The amount of benefits under the defined benefit plans is set based on the employee's final salary, the number of years of service and other terms. Furthermore, to provide for future benefits, Toyota Industries makes contributions based on actuarial calculations using an estimated rate of wages and salaries.

The defined benefit pension plan, in compliance with relevant laws and regulations and with the consent of the employees, sets the pension agreement stipulating the policy around eligibility, how and what is provided through the plan and the contributions to be made by the Company. The agreement is approved by the Minister of Health, Labour, and Welfare. Under the agreement, the Company enters into a contract with an entrusted pension management institution on the payment of contributions as well as the management of plan assets to operate the pension plan. The pension management institution has a fiduciary responsibility to manage the plan assets in accordance with the agreement. Furthermore, a retirement benefit trust is set for some plans in Japan. Some subsidiaries outside Japan also adopt a wide range of defined benefit plans in accordance with local laws and regulations.

The Company changed its pension scheme in April 2017 so that the amount of benefits under the defined benefit plan will be determined by the number of points acquired. Points are earned by employees based on factors such as the number of years of service and certifications.

(2) Defined benefit plans

The defined benefit plans related amounts recognized on the consolidated statements of financial position consists of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Retirement benefit obligations	255,903	261,710	264,260
Fair value of plan assets	193,010	184,419	189,837
Difference	62,892	77,290	74,423
Effect of asset ceiling	2,885	—	—
Net defined benefit assets	22,283	11,651	18,129
Net defined benefit liabilities	88,062	88,942	92,552

(Note) Some plan assets offer availability of economic benefit through a refund based on which the asset ceiling is calculated. The transition of the asset ceiling from the balance at the beginning of the period to the balance at the end of the period is as indicated above.

(i) Fluctuations of present value of defined benefit obligations

(Millions of yen)

	Japan		Outside Japan	
	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Balance at beginning of period	151,603	169,456	104,300	92,253
Service cost	8,373	9,052	3,551	2,805
Interest cost	1,899	1,088	2,955	2,662
Remeasurements				
Actuarial gains (losses) arising from changes in demographic assumptions	(1,229)	(1,256)	(843)	(1,319)
Actuarial gains (losses) arising from changes in financial assumptions	16,359	(4,038)	(8,239)	8,738
Difference arising from revised results	305	63	(1,481)	(1,432)
Prior service cost	—	—	3	377
Retirement benefits paid	(4,146)	(5,331)	(2,558)	(3,421)
Effect of foreign currency translation	—	—	(6,300)	(6,977)
Others	(3,708)	1,012	866	524
Balance at end of period	169,456	170,048	92,253	94,211

The weighted-average duration associated with Toyota Industries' defined benefit obligation is 17.7 years in Japan and 18.4 years outside Japan for the fiscal year ended March 31, 2016 and 17.1 years in Japan and 19.1 years outside Japan for the fiscal year ended March 31, 2017.

(ii) Fluctuations of fair value of plan assets

(Millions of yen)

	Japan		Outside Japan	
	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Balance at beginning of period	132,833	128,697	60,177	55,721
Interest income	1,773	874	1,670	1,489
Revenue associated with plan assets (excluding interest income above)	(7,663)	5,445	(950)	3,106
Employer contributions	4,169	4,087	2,404	2,097
Return to employer	—	—	—	—
Benefit payment	(2,464)	(3,165)	(2,130)	(3,024)
Exchange impact	—	—	(5,832)	(5,671)
Others	49	(22)	383	200
Balance at end of period	128,697	135,916	55,721	53,921

The projected amount of contributions to plan assets in the fiscal year ending March 31, 2018 is 6,402 million yen.

(iii) Classes of plan assets

The classes of plan assets on the transition date consisted of the following.

(Millions of yen)

	Japan			Outside Japan		
	Items with published value in an active market	Items with no published value in an active market	Total	Items with published value in an active market	Items with no published value in an active market	Total
Equity securities:						
Stock	129	—	129	28,144	—	28,144
Jointly managed trust	—	24,020	24,020	—	—	—
Debt securities:						
Bonds	—	168	168	—	17,151	17,151
Jointly managed trust	—	49,501	49,501	—	539	539
Stock included in retirement benefits trust:	37,273	—	37,273	—	—	—
Other assets:						
Life insurance general account	—	10,875	10,875	—	1,514	1,514
Other	4,250	6,613	10,864	11,386	1,440	12,827
Total plan assets	41,653	91,179	132,833	39,531	20,645	60,177

(Note) "Others" includes cash and deposits, etc.

The classes of plan assets for the fiscal year ended March 31, 2016 consisted of the following.

(Millions of yen)

	Japan			Outside Japan		
	Items with published value in an active market	Items with no published value in an active market	Total	Items with published value in an active market	Items with no published value in an active market	Total
Equity securities:						
Stock	136	—	136	15,541	—	15,541
Jointly managed trust	—	21,046	21,046	—	8,167	8,167
Debt securities:						
Bonds	—	193	193	—	9,315	9,315
Jointly managed trust	—	47,417	47,417	—	7,501	7,501
Stock included in retirement benefits trust:	30,754	—	30,754	—	—	—
Other assets:						
Life insurance general account	—	18,965	18,965	—	1,477	1,477
Other	4,970	5,213	10,184	12,007	1,712	13,719
Total plan assets	35,861	92,836	128,697	27,548	28,173	55,721

(Note) "Others" includes cash and deposits, etc.

The classes of plan assets for the fiscal year ended March 31, 2017 consisted of the following.

(Millions of yen)

	Japan			Outside Japan		
	Items with published value in an active market	Items with no published value in an active market	Total	Items with published value in an active market	Items with no published value in an active market	Total
Equity securities:						
Stock	157	―	157	13,816	―	13,816
Jointly managed trust	―	25,548	25,548	―	8,623	8,623
Debt securities:						
Bonds	―	188	188	―	8,097	8,097
Jointly managed trust	―	42,232	42,232	―	8,535	8,535
Stock included in retirement benefits trust:	33,289	―	33,289	―	―	―
Other assets:						
Life insurance general account	―	19,177	19,177	―	1,445	1,445
Other	5,688	9,632	15,320	11,594	1,807	13,402
Total plan assets	39,135	96,780	135,916	25,411	28,509	53,921

(Note) "Others" includes cash and deposits, etc.

Toyota Industries' basic policy for managing plan assets aims to secure profits required over the long term, within the scope of acceptable risks, to meet future benefit payment requirements under the defined benefit corporate pension contract.

The targeted earnings rate is the earnings rate necessary to maintain the sound operation of the defined benefit corporate pension into the future, which specifically means that the earnings rate exceeds the expected rate which becomes the basis of calculation of future contribution under pension finance.

Both the Company and the institution entrusted with management are to confirm that the asset allocation for achieving management's target is consistent with the basic investment policy and that the asset allocation ratios are revised as required.

The basic policy may be amended in accordance with changes to the conditions of the Company and the systems and the environment surrounding the Company.

(iv) Actuarial assumptions

Important actuarial assumptions (weighted average) used for the calculation of the present value of the defined benefit obligation consist of the following.

	Japan			Outside Japan		
	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Discount rate	1.36 %	0.69%	0.82%	3.06%	3.54%	3.02%

In cases where the discount rate fluctuates at the ratios indicated below, assuming there are no changes to other assumptions, the defined benefit obligation as of the end of the fiscal year ended March 31, 2017 would have been impacted as follows. While the sensitivity analysis assumes that there are no changes in other assumptions, it is possible that changes in other assumptions could impact the sensitivity analysis.

(Millions of yen)

			Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Discount rate	Japan	0.5% increase	(10,192)	(11,777)	(11,116)
		0.5% decrease	11,537	13,337	12,521
	Outside Japan	0.5% increase	(7,332)	(5,877)	(6,971)
		0.5% decrease	8,272	6,673	7,803

(3) Defined contribution pension plan

The amount of contributions paid for the defined contribution pension plan for the fiscal years ended March 31, 2016 and 2017 were 6,155 million yen and 6,021 million yen, respectively. Welfare insurance premiums are accounted for in the defined contribution pension plan and included in employee benefits expenses.

(4) Multi-employer plan

Certain subsidiaries in Japan participate in the welfare pension fund plan of a multi-employer plan. Because the plan is a multi-employer-type defined benefit plan and the amount of pension investment corresponding to the contribution by one's own company cannot be rationally calculated, the amount of contribution required is accounted for as retirement benefit expenses. Certain domestic subsidiaries are currently enrolled in the Japan Industrial Machine and Allied Products Employees' Pension Fund and Nagano Machine and Allied Products Employees' Pension Fund. These funds are in the process of transfer to the government of the substitutional portion of the employee pension fund liabilities. Also, certain domestic subsidiaries participated in the Aichi Prefecture Truck Business Employees' Pension Fund and Aitetsuren Employees' Pension Fund, both of which were approved by the Minister of Health, Labour, and Welfare to dissolve on September 25, 2015, and March 17, 2016, respectively. The impact of such dissolution on the consolidated financial statements is immaterial.

The amount of the contribution required in each fiscal year consists of the following.

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Contributions	75	56

The projected contribution in the fiscal year ending March 31, 2018 is 56 million yen.

The funded and unfunded status, on an aggregation basis of the Group's entire plans are as follows.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Plan assets	322,175	124,256	102,683
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve	447,792	150,897	126,106
Funded/(Unfunded) amount	(125,616)	(26,640)	(23,423)

The rate of contributions of Toyota Industries within the entire plan consists of the following.

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Rate of contribution	4.63%	6.25%	6.37%

19. Equity and Other Equity Items

(1) Capital stock and capital surplus

The Companies Act in Japan stipulates that no less than half of the payment or performance for issuing equity shall be incorporated into capital stock, and the remaining amount shall be incorporated into capital surplus, which is included in capital reserve. Moreover, the capital reserve may be incorporated into capital stock by a resolution of the General Meeting of Shareholders under the Companies Act.

The number of shares authorized in the fiscal years ended March 31, 2016 and 2017 is 1,100,000,000 shares, respectively.

The breakdown of changes in the number of shares issued and fully paid consist of the following.

	Number of shares (shares)	Capital stock (millions of yen)	Capital surplus (millions of yen)
Transition date (April 1, 2015)	325,840,640	80,462	105,592
Increase (decrease) during period	—	—	(75)
FY2016 (as of March 31, 2016)	325,840,640	80,462	105,517
Increase (decrease) during period	—	—	(99)
FY2017 (as of March 31, 2017)	325,840,640	80,462	105,417

All shares issued by the Company are common stock, which has no restrictions on the content of rights and no par value.

(2) Retained earnings

The Companies Act stipulates that one tenth of the surplus that would decrease due to the distribution of dividend of surplus shall be accumulated as capital reserve or retained earnings until the total amount of capital reserve and retained earnings reaches one fourth of capital. Accumulated retained earnings may be appropriated to compensate for losses. Moreover, retained earnings may be reduced by a resolution of the General Meeting of Shareholders.

In addition, the distributable amount under the Companies Act is calculated based on statutory capital surplus and retained earnings in accordance with accounting standards generally accepted in Japan, and statutory capital reserve and legal retained earnings are excluded from the distributable amount.

(3) Treasury stock

The Companies Act stipulates that treasury stock may be acquired with a resolution of the General Meeting of Shareholders deciding the number of shares to be acquired, the total amount of the acquisition price and other matters within the scope of the distributable amount. Moreover, if through market transactions or tender offers, treasury stock may be acquired by a resolution of the meeting of the Board of Directors within the scope of the requirements stipulated by the Companies Act, in accordance to the provisions of the Articles of Incorporation.

Changes in the number and balance of treasury stock consist of the following.

	Number of shares (shares)	Amount (millions of yen)
Transition date (April 1, 2015)	11,684,749	41,509
Increase (decrease) during period	(70,937)	(242)
FY2016 (as of March 31, 2016)	11,613,812	41,266
Increase (decrease) during period	3,737,630	18,005
FY2017 (as of March 31, 2017)	15,351,442	59,272

(4) Other components of shareholders' equity

(i) Net changes in revaluation of FVTOCI financial assets

It is the accumulated amount of net changes in revaluation of financial assets measured at fair value through other comprehensive income.

(ii) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans show the amount affected by differences between actuarial assumptions at the beginning of the fiscal year and actual results, as well as the amount affected by changes in actuarial assumptions. They are recognized in other comprehensive income at the time of their occurrence and immediately transferred from other components of equity to retained earnings.

(iii) Translation adjustments of foreign operations

This shows translation adjustments arising from converting the financial statements in the functional currency of foreign operations of Toyota Industries into those in the Japanese yen which is the presentation currency of Toyota Industries.

(iv) Cash flow hedges

This shows the accumulated amount of effective hedges among the gains and losses arising from changes in the fair value of hedging instruments for cash flow hedges.

(v) Subscription rights to shares

This is a subscription right to shares related to the stock option program.

20. Cash Dividends

(1) Dividends paid

FY2016 (April 1, 2015‐ March 31, 2016)

Resolutions	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 11, 2015	Common stock	18,849	60	March 31, 2015	June 12, 2015
Board of Directors meeting held on October 30, 2015	Common stock	18,850	60	September 30, 2015	November 26, 2015

FY2017 (April 1, 2016‐ March 31, 2017)

Resolutions	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 10, 2016	Common stock	18,853	60	March 31, 2016	June 13, 2016
Board of Directors meeting held on October 28, 2016	Common stock	18,755	60	September 30, 2016	November 25, 2016

(2) Dividends with a record date in the fiscal year ended March 31, 2017 for which the effective date falls in the following fiscal year

Resolutions	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 9, 2017	Common stock	Retained earnings	20,181	65	March 31, 2017	June 12, 2017

21. Breakdown of Expenses by Nature

Principal items of cost of sales and selling, general and administrative expenses consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Purchase of raw materials and goods	697,849	669,738
Employee benefit expenses	437,533	440,830
Depreciation and amortization	143,308	148,388

22. Research and Development Expenses

Research and development expenses included in cost of sales and selling, general and administrative expenses consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Research and development expenses	48,189	57,214

23. Other Earnings and Expenses

Other earnings consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Rental fees for fixed assets	930	898
Gain on sales of fixed assets	560	725
Others	9,388	9,787
Total	10,879	11,411

Other expenses consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Loss on disposal of fixed assets	1,718	2,125
Loss on sales of fixed assets	291	297
Depreciation and amortization	528	569
Others	9,418	9,488
Total	11,956	12,480

24. Financial Income and Financial Expenses

Financial income consists of the following.

(Millions of yen)

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Interest income		
Financial assets measured at amortized cost	1,339	956
Financial assets measured at fair value through profit or loss	8	40
Others	6	1
Dividends income		
Financial assets measured at fair value through other comprehensive income	65,012	61,865
Others	897	871
Total	67,264	63,734

Financial expenses consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Interest expenses		
Financial liabilities measured at amortized cost	10,288	7,926
Financial liabilities measured at fair value through profit or loss	299	181
Others	―	3
Foreign currency translation losses	1,279	509
Others	1,668	1,446
Total	13,536	10,067

25. Income Taxes

(1) Income tax expenses

Income tax expenses consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Current tax expenses	50,618	35,724
Deferred tax expenses	2,246	8,696
Total	52,865	44,420

Deferred tax expenses increased because of the tax rate changes in Japan for the fiscal year ended March 31, 2016, and due primarily to taxable temporary differences that arose and reversed for the fiscal year ended March 31, 2017.

The difference between the statutory effective tax rate and the actual tax rate consist of the following.

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Statutory effective tax rate	32.9%	31.1%
Dividends income and others permanently not recognized as taxable income	(5.7)	(5.6)
Share of profit of investments accounted for by the equity method	(0.1)	(0.2)
Others	0.5	(0.9)
Actual tax rate	27.6	24.4

Toyota Industries has mainly had to pay income, inhabitants and enterprise taxes, and the statutory effective tax rate calculated based on these taxes was 32.9% and 31.1% for the fiscal years ended March 31, 2016, and 2017, respectively. Subsidiaries outside Japan, however, pay income and other taxes depending on their locations.

The Diet passed the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) on March 29, 2016 so that the tax rates of income and other taxes were to be lowered effective from the consolidated fiscal year beginning on April 1, 2016. Accordingly, the statutory effective tax rate applied to the calculation of deferred tax assets and liabilities was changed from the previous 32.9% to 31.1% for the temporary differences expected to be reversed from the consolidated fiscal year beginning on April 1, 2016 and the consolidated fiscal year beginning on April 1, 2017, and to 30.9% for the temporary differences expected to be reversed from the consolidated fiscal years beginning on or after April 1, 2018.

(2) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities consist of the following.

FY2016 (April 1, 2015‐ March 31, 2016)

(Millions of yen)

	Balance at beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of period
Deferred tax assets:				
Net defined benefit liabilities	23,226	(1,574)	63	21,715
Allowance for compensated absences	7,749	(273)	―	7,475
Allowance for bonuses	7,518	(482)	―	7,036
Net operating loss carry-forwards for tax purposes	5,470	(997)	―	4,473
Accrued expenses	3,403	2,300	―	5,703
Inventories	3,945	992	―	4,937
Others	21,368	5,991	393	27,753
Total deferred tax assets	72,683	5,955	456	79,095
Deferred tax liabilities:				
Financial assets at fair value through other comprehensive income	731,315	―	(227,795)	503,519
Depreciation	37,251	4,048	―	41,300
Others	28,888	4,153	(3,512)	29,529
Total deferred tax liabilities	797,455	8,201	(231,308)	574,348
Net amount	(724,772)	(2,246)	231,764	(495,253)

FY2017 (April 1, 2016‐ March 31, 2017)

(Millions of yen)

	Balance at beginning of period	Recognized in profit or loss	Recognized in other comprehensive income	Balance at end of period
Deferred tax assets:				
Net defined benefit liabilities	21,715	(4,268)	(237)	17,208
Allowance for compensated absences	7,475	508	―	7,984
Allowance for bonuses	7,036	11	―	7,047
Net operating loss carry-forwards for tax purposes	4,473	1,488	―	5,962
Accrued expenses	5,703	(276)	―	5,427
Inventories	4,937	(606)	―	4,331
Others	27,753	2,695	(594)	29,853
Total deferred tax assets	79,095	(447)	(832)	77,815
Deferred tax liabilities:				
Financial assets at fair value through other comprehensive income	503,519	―	36,525	540,044
Depreciation	41,300	12,571	―	53,871
Others	29,529	(4,322)	2,695	27,902
Total deferred tax liabilities	574,348	8,249	39,220	621,818
Net amount	(495,253)	(8,696)	(40,052)	(544,003)

Deferred tax assets and deferred tax liabilities on the consolidated statements of financial position consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Deferred tax assets:	31,812	22,599	23,800
Deferred tax liabilities:	756,584	517,854	567,803
Net amount	(724,772)	(495,253)	(544,003)

Loss carry-forwards and future deductible temporary differences which are not recognized as deferred tax assets consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Net operating loss carry-forwards for tax purposes	11,578	10,825	7,188
Unused tax credits	763	1,094	1,585
Deductible temporary differences	6,003	3,070	3,547
Total	18,344	14,990	12,321

Amount and the time limit for a loss carry-forwards and unused tax credits which are not recognized as deferred tax assets consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
First year	202	621	343
Second year	563	216	675
Third year	677	895	218
Fourth year	826	167	340
Beyond fifth year	9,307	8,923	5,610
Total	11,578	10,825	7,188

The total amount of taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities as of the transition date, the end of the fiscal year ended March 31, 2016, and the end of the fiscal year ended March 31, 2017, was 276,671 million yen, 246,938 million yen and 278,583 million yen, respectively. Toyota Industries has not recognized deferred tax liabilities related to those temporary differences because it considers that it can control the timing to resolve temporary differences, and they are not likely to be resolved within the foreseeable period.

26. Earnings per Share

(1) Basis of calculation for basic earnings per share

(i) Profit attributable to owners of common stock of the parent

(Millions of yen)

	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Continuing operations	132,835	131,398
Discontinued operations	61,435	—
Profit attributable to owners of common stock of the parent	194,270	131,398

(ii) Weighted-average number of common stock

(Thousands)

	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Weighted-average number of common stock	314,180	312,272

(2) Basis of calculation for diluted earnings per share

(i) Profit attributable to owners of common stock of the parent after dilution

(Millions of yen)

	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Continuing operations	132,835	131,398
Discontinued operations	61,435	—
Profit attributable to owners of common stock of the parent	194,270	131,398
Adjustments to profit used for calculation of diluted earnings per share	—	—
Profit used for computation of diluted earnings per share	194,270	131,398

(ii) Weighted-average number of common stock after dilution

(Thousands)

Weighted-average number of common stock	314,180	312,272
Effect of dilutive potential shares of common stock	5	—
Weighted-average number of common stock after dilution	314,186	312,272

27. Other Comprehensive Income

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Net changes in revaluation of FVTOCI financial assets:		
Amount arising during the period	(636,994)	114,328
Before tax effect adjustment	(636,994)	114,328
Tax effect	227,795	(36,525)
Net changes in revaluation of FVTOCI financial assets	(409,198)	77,802
Remeasurements of defined benefit plans:		
Amount arising during the period	(10,598)	7,795
Before tax effect adjustment	(10,598)	7,795
Tax effect	3,576	(2,933)
Remeasurements of defined benefit plans	(7,022)	4,862
Translation adjustments of foreign operations:		
Amount arising during the period	(35,492)	(18,913)
Translation adjustments of foreign operations	(35,492)	(18,913)
Cash flow hedges:		
Amount arising during the period	1,370	1,129
Recycling	(2,319)	707
Before tax effect adjustment	(949)	1,836
Tax effect	393	(594)
Cash flow hedges	(556)	1,242
Share of other comprehensive income of affiliates accounted for by equity method:		
Amount arising during the period	(707)	(431)
Recycling	—	615
Share of other comprehensive income of affiliates accounted for by equity method	(707)	183
Total other comprehensive income	(452,977)	65,177

28. Important Non-Cash Transactions

Important non-cash transactions (investments and financial transactions which do not use cash and cash equivalents) consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Acquisition of assets on finance leases	18,878	16,600

29. Financial Instruments

(1) Capital management

Toyota Industries' financial policy is to ensure sufficient financing and liquidity for its business activities and to maintain strong financial position. Through the use of such current assets as cash and cash equivalents and short-term investments, as well as cash flows from operating activities, issuance of corporate bonds and loans from financial institutions, Toyota Industries believes that it will be able to provide sufficient funds for the working capital necessary to expand existing businesses and develop new projects. The Company defines equity capital as the amount of share of equity attributable to owners of the parent excluding the subscription rights to shares.

The Company is not subject to external capital controls as of March 31, 2017.

(2) Matters concerning risk management

(A) Risk management policy

Toyota Industries is exposed to financial risks related to its marketing activities (credit risk, market risk, liquidity risk, etc.). These risks are managed, based on the treasury policy for avoiding or reducing the effects of such risks.

The Company uses derivatives to avoid the risks explained below and does not engage in speculative transactions.

i) Credit risk

The main receivables of Toyota Industries such as accounts receivable, lease investment assets and loans receivable related to the sales financing business have credit risk (risk concerning non-performance of an agreement by the counterparty). In accordance with internal rules including the treasury policy, Toyota Industries strives to promptly identify and reduce concerns about collection due to a deterioration in the financial conditions and others of its main counterparties by regularly monitoring their situation based on their financial statements and ratings, and conducting due date management and balance management. Collection risk of lease investment assets is minimal because their ownership is not transferred and due date management and balance management are conducted. Toyota Industries has no significant concentrations of credit risk with any counterparty.

When using derivative transactions, Toyota Industries mainly deals with only financial institutions evaluated as highly creditworthy by rating agencies to mitigate the counterparty risk.

Regarding accounts receivable, lease investment assets and loans receivable related to the sales financing business, if all or part of them cannot be collected or are deemed to be extremely difficult to collect, they are regarded as non-performing.

The total carrying amount of financial assets represents the maximum exposure to credit risk.

Measuring expected credit loss for accounts receivable and lease investment assets

Because there is no financial element in accounts receivable, the loss evaluation allowance is calculated as lifetime expected credit losses until collection of accounts receivable. For lease investment assets, the loss evaluation allowance is calculated as lifetime expected credit losses until collection of lease investment assets. With regard to accounts receivable and lease investment assets of debtors who have no significant problems in their business conditions, the expected credit loss rate is measured collectively, taking into account the past track record of bad debts and others.

Measuring expected credit loss for loans receivable related to the sales financing business

If credit risk has not increased significantly as of the end of the fiscal year since initial recognition, the loss evaluation allowance for loans receivable related to the sales financing business is calculated by collectively estimating the expected credit loss rate for the following 12 months based on the past track record of bad debts and others. If there are significant effects of changes in economic and other conditions, the loan loss provision ratio based on the past track record of bad debts will be adjusted and reflected in the forecast of present and future economic situations. On the other hand, if credit risk has increased significantly as of the end of the fiscal year since the initial recognition, the loss evaluation allowance for financial instruments is calculated by individually estimating the lifetime expected credit losses of collecting financial instruments based on the past track record of bad debts and the collectible amount in the future among other factors. Assets that are regarded as non-performing are recorded as credit impaired financial assets.

Expected credit loss of trade receivables and other receivables which are past due date and for which simplified approaches are applied consist of the following.

Transition date (April 1, 2015)

(Millions of yen)

	Before due date	Within 30 days after due date	Over 30 days but within 90 days after due date	Over 90 days after due date	Total
Expected credit loss rate	0.3%	0.5%	3.5%	36.4%	—
Accounts receivable and lease investment assets	444,583	20,991	8,841	6,378	480,794
Lifetime expected credit losses	1,504	107	313	2,320	4,246

FY2016 (As of March 31, 2016)

(Millions of yen)

	Before due date	Within 30 days after due date	Over 30 days but within 90 days after due date	Over 90 days after due date	Total
Expected credit loss rate	0.2%	0.6%	7.0%	39.8%	—
Accounts receivable and lease investment assets	507,098	16,865	7,828	6,495	538,288
Lifetime expected credit losses	785	102	549	2,587	4,025

FY2017 (As of March 31, 2017)

(Millions of yen)

	Before due date	Within 30 days after due date	Over 30 days but within 90 days after due date	Over 90 days after due date	Total
Expected credit loss rate	0.2%	1.1%	6.6%	36.9%	—
Accounts receivable and lease investment assets	529,190	16,797	6,286	6,692	558,967
Lifetime expected credit losses	1,294	178	413	2,470	4,356

Among financial assets, the general approach is applied mainly to loans receivable related to the sales financing business. The carrying amount of loans receivable related to the sales financing business, categorized by credit risk for its measurement, consists of the following. The transition date (April 1, 2015), which was before the Commercial Finance business transfer from Toyota Motor Credit Corporation, is omitted due to its monetary immateriality.

(Millions of yen)

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets	Total
FY2016 (As of March 31, 2016)	91,353	—	258	91,611
FY2017 (As of March 31, 2017)	92,396	—	272	92,668

Changes in expected credit loss consist of the following.

FY2016 (As of March 31, 2016)

(Millions of yen)

	Expected credit loss for accounts receivable and lease investment assets	12-month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets
Balance at beginning of period	4,246	33	93	29
New financial assets composed or purchased	1,352	376	—	—
Transfer to lifetime expected credit losses	—	—	—	—
Transfer to credit impaired financial assets	—	—	—	—
Transfer to 12-month expected credit losses	—	—	—	—
Financial assets with recognition suspended during the period	(1,065)	(12)	(57)	(14)
Others	(507)	(21)	13	214
Balance at end of period	4,025	375	49	228

FY2017 (As of March 31, 2017)

(Millions of yen)

	Expected credit loss for accounts receivable and lease investment assets	12-month expected credit losses	Lifetime expected credit losses	Credit impaired financial assets
Balance at beginning of period	4,025	375	49	228
New financial assets composed or purchased	1,587	778	—	—
Transfer to lifetime expected credit losses	—	—	—	—
Transfer to credit impaired financial assets	—	—	—	—
Transfer to 12-month expected credit losses	—	—	—	—
Financial assets with recognition suspended during the period	(1,112)	(724)	(38)	(88)
Others	(143)	21	11	(4)
Balance at end of period	4,356	450	22	135

ii) Liquidity risk

With financing through corporate bonds and loans, Toyota Industries is exposed to liquidity risk that a payment cannot be made on the due date because of a deterioration in financing and other conditions. In accordance with the treasury policy, Toyota Industries prepares funding plans and secures liquidity with funds on hand and commitment lines.

Toyota Industries' financial liabilities by remaining contract maturities consist of the following.

Transition date (April 1, 2015)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Non-derivative financial liabilities:							
Trade payables and other payables	217,779	0	2	2	—	—	217,784
Corporate bonds and loans	155,408	93,114	125,595	244,377	50,678	134,677	803,852
Lease obligations	51,232	53,314	36,746	20,975	9,440	3,609	175,319
Deposits payable	87,623	—	—	—	—	—	87,623
Derivative financial liabilities:							
Derivative liabilities	2,863	120	108	89	121	63	3,367

FY 2016 (As of March 31, 2016)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Non-derivative financial liabilities:							
Trade payables and other payables	223,826	138	6	17	0	1	223,990
Corporate bonds and loans	204,626	201,832	277,063	82,185	56,429	112,722	934,859
Lease obligations	48,830	41,495	29,988	18,053	9,883	3,767	152,019
Deposits payable	30,408	—	—	—	—	—	30,408
Derivative financial liabilities:							
Derivative liabilities	1,670	823	719	619	308	23	4,164

FY2017 (As of March 31, 2017)

(Millions of yen)

	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years	Total
Non-derivative financial liabilities:							
Trade payables and other payables	253,431	707	2	—	—	—	254,140
Corporate bonds and loans	324,497	291,673	150,346	82,039	90,441	62,429	1,001,427
Lease obligations	44,192	30,599	21,889	13,805	8,012	2,490	120,988
Deposits payable	30,541	—	—	—	—	—	30,541
Derivative financial liabilities:							
Derivative liabilities	2,005	662	604	276	11	—	3,560

iii) Market risk

(a) Foreign currency risk

Engaged in business globally, Toyota Industries conducts transactions in foreign currencies and is exposed to the risk that profit or loss, cash flow and others will be affected by exchange rate fluctuations. In accordance with its treasury policy, in principle, Toyota Industries uses foreign currency forward contracts, foreign currency option contracts and foreign currency swaps to hedge foreign currency risk for each currency for its monetary credits and liabilities denominated in foreign currencies.

Toyota Industries' exposure to foreign currency risk consists of the following.

	FY2016 (As of March 31, 2016)		FY2017 (As of March 31, 2017)	
	Thousands of U.S. dollars	Thousands of euros	Thousands of U.S. dollars	Thousands of euros
Net exposure	85,695	8,151	105,171	138,124

Exchange rate sensitivity analysis

For each fiscal year, the impacts on net profit or loss and equity when there is a 1% change in the exchange rate of the Japanese yen against the following currencies consist of the following. The analysis does not include the effects of converting into yen financial instruments, assets and liabilities of foreign operations, revenue and expenses which are denominated in functional currencies. Moreover, other variables are assumed to be constant.

(Millions of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
U.S. dollars	96	117
Euros	10	165

(b) Interest rate risk

Toyota Industries procures funds through borrowings from financial institutions and issuances of corporate bonds and is exposed to interest rate risks associated with raising and managing funds. With regard to interest rate risks, Toyota Industries hedges such risks by fixing interest payments through interest rate swaps and matching cash flows of receivables and payables, among other methods.

As a result, the Company does not conduct an interest rate sensitivity analysis because interest rate fluctuations have little effect on the interest payment of Toyota Industries, and interest rate risk and interest rate exposure are considered immaterial for Toyota Industries.

(c) Price fluctuation risk of equity financial instruments

Toyota Industries holds listed shares of companies with business relationships and is exposed to price fluctuation risk of equity financial instruments. Toyota Industries constantly reviews the status of its holdings of these financial instruments, taking into account relationships with and financial conditions of business partners.

Toyota Industries does not hold equity financial instruments for trading purposes and does not actively trade these investments.

If Toyota Industries assumes a 1% decline in the prices of listed shares held by Toyota Industries on the transition date, the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017, decreases in other comprehensive income (before adjusting tax effect) would have been 25,576 million yen, 19,056 million yen and 20,499 million yen, respectively.

Moreover, because the shares held by Toyota Industries are designated as financial assets at FVOCI, the assumed 1% rise or drop of share prices will not have a significant impact on profit or loss in terms of monetary amount.

Liquidity discounts are an important unobservable input used to measure the fair value of unlisted shares and other equity securities. A significant increase (decrease) of these discounts will cause a significant decrease (increase) in fair value.

(3) Fair value of financial instruments

The following three levels of inputs are used to measure fair value.

1) Level 1

The market prices of the same assets or liabilities in active markets (which continuously ensure sufficient trading frequencies and transaction volumes) that consolidated subsidiaries have access to as of the measurement date are used as they are without adjustments.

2) Level 2

This level includes the published prices of similar assets or liabilities in active markets; the published prices of the same assets or liabilities in inactive markets; inputs other than the observable published prices of assets and liabilities; and inputs calculated or supported mainly by observable market data.

3) Level 3

Because data are available only from limited markets, Toyota Industries uses unobservable inputs which reflect the judgment of Toyota Industries in the assumptions used by market participants to decide the prices of assets and liabilities. Toyota Industries calculates inputs based on the best available information, including the data of Toyota Industries itself.

Fair value is measured by the Accounting Department in accordance with the evaluation policy and procedures of Toyota Industries, using the evaluation model that can most appropriately reflect individual characteristics, features and risks of financial instruments. Moreover, changes are continuously examined for important indicators which affect fluctuations of fair value.

(i) Financial instruments measured at amortized cost

The carrying amount and fair values of financial instruments measured at amortized cost on the transition date, the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017 consist of the following.

Transition date (April 1, 2015)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Lease investment assets	193,377	―	―	190,650	190,650
Financial liabilities:					
Corporate bonds (Note)	232,729	―	241,096	―	241,096
Long-term loans payable (Note)	484,072	―	490,693	―	490,693
Lease obligations	169,308	―	―	170,323	170,323

FY2016 (As of March 31, 2016)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Loans receivable related to the sales financing business(Note)	95,972	—	—	93,384	93,384
Lease investment assets	238,690	—	—	233,819	233,819
Financial liabilities:					
Corporate bonds (Note)	210,760	—	215,760	—	215,760
Long-term loans (Note)	569,935	—	580,275	—	580,275
Lease obligations	147,116	—	—	147,208	147,208

FY2017 (As of March 31, 2017)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Loans receivable related to the sales financing business(Note)	96,894	—	—	94,045	94,045
Lease investment assets	248,974	—	—	243,927	243,927
Financial liabilities:					
Corporate bonds (Note)	270,762	—	275,311	—	275,311
Long-term loans (Note)	599,072	—	604,609	—	604,609
Lease obligations	117,080	—	—	117,344	117,344

(Note) Loans receivable related to the sales financing business, corporate bonds and long-term loans include the balance to be repaid and redeemed within one year.

Notes are omitted for short-term financial assets and liabilities measured at amortized cost as well as loans receivable on the transition date and loans receivable related to sales financing business on the transition date because the fair value approximates the carrying amount.

The fair value of lease investment assets is calculated with present value obtained by discounting the total amount of future lease receivables with the expected interest rate when newly undertaking similar lease transactions.

The fair value of loans receivable and loans receivable related to the sales financing business is calculated with present value obtained by discounting the total amount of principal and interest with the expected interest rate when newly undertaking similar lending. Note is omitted for the transition date because the fair value approximates the carrying amount.

The fair values of corporate bonds and long-term loans are calculated with present value obtained by discounting the total amount of future principal and interest with the expected interest rate when newly undertaking similar borrowings.

The fair value of lease obligations is calculated with present value obtained by discounting the total amount of future lease payments with the expected interest rate when newly undertaking similar lease transactions.

(ii) Fair values of financial assets and liabilities continuously at fair value

The fair-value hierarchy of financial instruments measured at fair value on the transition date, the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017 consists of the following. Financial assets measured at fair value through other comprehensive income include debt instruments but they were immaterial. Moreover, there is no transfer between different levels

Transition date (April 1, 2015)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Derivative assets	7	19,293	―	19,300
Others	1,214	―	―	1,214
Financial assets measured at fair value through other comprehensive income	2,554,216	1,034	87,133	2,642,384
Total	2,555,438	20,327	87,133	2,662,899
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	17	3,349	―	3,367
Total	17	3,349	―	3,367

FY2016 (As of March 31, 2016)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Derivative assets	19	15,028	―	15,047
Others	1,153	―	―	1,153
Financial assets measured at fair value through other comprehensive income	1,906,017	892	97,273	2,004,183
Total	1,907,190	15,921	97,273	2,020,385
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	―	4,164	―	4,164
Total	―	4,164	―	4,164

FY2017 (As of March 31, 2017)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Derivative assets	6	14,594	―	14,600
Others	1,372	―	―	1,372
Financial assets measured at fair value through other comprehensive income	2,050,366	896	94,528	2,145,791
Total	2,051,745	15,491	94,528	2,161,764
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	―	3,560	―	3,560
Total	―	3,560	―	3,560

Derivatives are transactions for forward exchange contracts, foreign currency option contracts, interest rate swaps and interest rate and currency swaps.

Fair value of forward exchange contracts is calculated based on observable market data including forward exchange rates. Data for the fair value of foreign currency option contracts, interest rate swaps and interest rate and currency swaps are calculated by financial institutions based on observable market data.

Toyota Industries primarily uses the book value per share method when measuring the fair value of unlisted shares and other equity securities categorized as financial assets measured at fair value through other comprehensive income. For issues with high importance, the calculation is conducted with the modified net asset value method, with some modifications made to market price if necessary. The illiquidity discount, which is an important unobservable input used to measure the fair value of unlisted shares, is calculated as 30%.

Changes in financial instruments classified as Level 3 in each reporting period consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Balance at beginning of period	87,133	97,273
Total gains and losses:	10,165	(3,004)
Gains and losses (Note 1)	—	—
Other comprehensive income (Note 2)	10,165	(3,004)
Purchase	65	595
Sales	(8)	(5)
Others	(82)	(330)
Balance at end of period	97,273	94,528

(Notes) 1.Gains and losses included in the profit and loss of the fiscal year ended March 31, 2017 are those for financial assets measured at fair value through profit or loss. These gains and losses are included in "Financial income" and "Financial expenses" on the Consolidated Statement of Profit or Loss.

(Notes) 2. Gains and losses included in other comprehensive income are those for financial assets measured at fair value through other comprehensive income as of the closing date. These gains and losses are included in "Net changes in revaluation of FVTOCI financial assets" on the Consolidated Statement of Comprehensive Income.

(4) Offsetting of financial assets and financial liabilities

Among derivative transactions of Toyota Industries, there are master netting agreements of similar agreements. Under these agreements, if non-performance occurs between contracting parties of an agreement, receivables and payables of business partners will be settled in net amounts.

The following information pertains to the netting of financial assets and financial liabilities recognized against the same business partners on the transition date, the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017.

Transition date (April 1, 2015)

(Millions of yen)

	Total financial assets	Total offset	Financial assets on the consolidated statements of financial position, net	Amount that could be offset in the future based on master netting agreements and others	Collateral received	Net amount
Financial assets:						
Trade receivables and other receivables	68,382	47,575	20,806	—	—	20,806
Derivative assets	9,320	—	9,320	393	—	8,926
Total	77,702	47,575	30,126	393	—	29,733

(Millions of yen)

	Total financial liabilities	Total offset	Financial liabilities on the consolidated statements of financial position, net	Amount that could be offset in the future based on master netting agreements and others	Collateral pledged	Net amount
Financial liabilities:						
Trade payables and other payables	95,731	47,575	48,155	—	—	48,155
Derivative liabilities	2,504	—	2,504	393	—	2,111
Total	98,236	47,575	50,660	393	—	50,267

FY2016 (As of March 31, 2016)

(Millions of yen)

	Total financial assets	Total offset	Financial assets on the consolidated statements of financial position, net	Amount that could be offset in the future based on master netting agreements and others	Collateral received	Net amount
Financial assets:						
Trade receivables and other receivables	79,152	39,215	39,937	―	―	39,937
Derivative assets	7,737	―	7,737	1,321	―	6,415
Total	86,889	39,215	47,674	1,321	―	46,353

(Millions of yen)

	Total financial liabilities	Total offset	Financial liabilities on the consolidated statements of financial position, net	Amount that could be offset in the future based on master netting agreements and others	Collateral pledged	Net amount
Financial liabilities:						
Trade payables and other payables	96,485	39,215	57,270	―	―	57,270
Derivative liabilities	1,696	―	1,696	1,321	―	375
Total	98,182	39,215	58,967	1,321	―	57,645

FY2017 (As of March 31, 2017)

(Millions of yen)

	Total financial assets	Total offset	Financial assets on the consolidated statements of financial position, net	Amount that could be offset in the future based on master netting agreements and others	Collateral received	Net amount
Financial assets:						
Trade receivables and other receivables	89,971	58,182	31,789	―	―	31,789
Derivative assets	7,203	―	7,203	1,067	―	6,135
Total	97,174	58,182	38,992	1,067	―	37,924

(Millions of yen)

	Total financial liabilities	Total offset	Financial liabilities on the consolidated statements of financial position, net	Amount that could be offset in the future based on master netting agreements and others	Collateral pledged	Net amount
Financial liabilities:						
Trade payables and other payables	128,493	58,239	70,253	―	―	70,253
Derivative liabilities	1,712	―	1,712	1,067	―	644
Total	130,205	58,239	71,965	1,067	―	70,898

(5) Derivative transactions and hedging activities

Toyota Industries has concluded derivative agreements with financial institutions to hedge changes in cash flows of financial assets and financial liabilities. Forward exchange contracts and currency options are used to hedge foreign currency risks concerning trade receivables and trade payables denominated in foreign currencies. Moreover, currency swaps, interest rate swaps and interest rate and currency swaps are used to hedge foreign currency risk and interest rate risk of borrowings, corporate bonds and others.

In the execution and management of hedge transactions, interest rate risk and foreign currency risk are hedged in accordance with treasury policy. Moreover, the status of hedge transactions is regularly reported to the director in charge of accounting and others.

Regarding foreign currency risk in operating activities, a certain amount of targeted risks is hedged, with the total amount of targeted risks set as the upper limit. However, among targeted risks, usance transactions are in principle fully covered. Regarding the foreign currency risk of investing activities which require a resolution of the Board of Directors, the full amount is hedged in principle. For the foreign currency risk of other investing activities and financing activities, the full amount is hedged as necessary.

Regarding interest rate risk, the upper limit is the amount equivalent to the balance of targeted risks for the hedging amount, while the remaining period of targeted risks is the upper limit for the hedging period.

The effectiveness of hedging is evaluated by respectively comparing the market fluctuations or the accumulated changes in cash flows of hedged items and hedging instruments during the period from the start of hedging to the evaluation of the effectiveness. A high correlation has been observed between the two. Moreover, regarding hedges with prospective ineffective portions, the ineffective amount is calculated using quantitative methods.

Toyota Industries sets an appropriate hedging ratio based on the volumes of hedged items and hedging instruments at the start of hedge transactions, establishing a one-on-one relationship in principle. If the hedging relationship comes to be deemed not effective but there is no change in the purpose of risk management, the hedging ratio established at the start of hedging relationship is readjusted to make the relationship effective again. Moreover, if the purpose of risk management is changed for the hedging relationship, application of hedge accounting is suspended.

(i) Effects of hedges on the Consolidated Statement of Financial Position

The carrying amount of derivative transactions designated to be hedged and financial instruments other than derivative transactions on the transition date, the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017 consists of the following. Because the important conditions for hedging instruments and hedged items are consistent or closely consistent, the values of hedging instruments and hedged items move in the opposite directions in response to the same risk. Accordingly, the amount of ineffective portions is immaterial, and it has been omitted.

(a) Notional principals and average prices of hedging instruments

Transition date (April 1, 2015)

	Notional principal				Average price (Yen)
	Within one year	Over one year but within five years	Over five years	Total	
Foreign currency risk					
Foreign currency forward contracts transactions					
BUY JPY / SELL USD (Millions of U.S. dollars)	459	—	—	459	118.62
BUY SEK / SELL USD (Millions of U.S. dollars)	201	—	—	201	8.31
BUY SEK / SELL EUR (Millions of euros)	287	26	0	313	9.28
BUY SEK / SELL GBP (Millions of British pounds)	41	—	—	41	12.17
BUY USD / SELL SEK (Millions of U.S. dollars)	3	—	—	3	8.58
BUY EUR / SELL SEK (Millions of euros)	41	0	—	41	9.29
Foreign currency option contract transactions					
BUY JPY / SELL USD (Millions of U.S. dollars)	116	—	—	116	117.93
BUY JPY / SELL EUR (Millions of euros)	15	—	—	15	133.97
BUY JPY / SELL AUD (Millions of Australian dollars)	11	—	—	11	92.42
Interest rate risk					
Interest rate swap transactions					
USD (Millions of U.S. dollars)	11	806	—	817	—
SEK (Millions of Swedish kronas)	95	290	—	385	—
EUR (Millions of euros)	4	66	—	71	—
AUD (Millions of Australian dollars)	—	47	—	47	—
Interest rate and currency swap transactions					
USD (Millions of U.S. dollars)	8	740	45	794	96.39
AUD (Millions of Australian dollars)	—	—	107	107	93.32

FY2016 (April 1, 2015 - March 31, 2016)

	Notional principal				Average price (Yen)
	Within one year	Over one year but within five years	Over five years	Total	
Foreign currency risk					
Foreign currency forward contracts transactions					
BUY JPY / SELL USD (Millions of U.S. dollars)	128	—	—	128	118.79
BUY SEK / SELL USD (Millions of U.S. dollars)	99	—	—	99	8.30
BUY SEK / SELL EUR (Millions of euros)	370	18	—	389	9.29
BUY SEK / SELL GBP (Millions of British pounds)	56	—	—	56	12.36
BUY USD / SELL SEK (Millions of U.S. dollars)	7	—	—	7	8.31
BUY EUR / SELL SEK (Millions of euros)	55	0	—	55	9.27
Foreign currency option contract transactions					
BUY JPY / SELL USD (Millions of U.S. dollars)	66	—	—	66	115.50
BUY JPY / SELL EUR (Millions of euros)	16	—	—	16	127.48
BUY JPY / SELL AUD (Millions of Australian dollars)	13	—	—	13	83.05
Interest rate risk					
Interest rate swap transactions					
USD (Millions of U.S. dollars)	35	648	—	684	—
SEK (Millions of Swedish kronas)	90	200	—	290	—
EUR (Millions of euros)	9	95	—	105	—
AUD (Millions of Australian dollars)	—	108	—	108	—
Interest rate and currency swap transactions					
USD (Millions of U.S. dollars)	—	826	45	872	98.53
AUD (Millions of Australian dollars)	—	54	53	107	93.32

FY2017 (April 1, 2016‐ March 31, 2017)

	Notional principal				Average price (Yen)
	Within one year	Over one year but within five years	Over five years	Total	
Foreign currency risk					
Foreign currency forward contracts transactions					
BUY JPY / SELL USD (Millions of U.S. dollars)	56	―	―	56	112.14
BUY SEK / SELL USD (Millions of U.S. dollars)	28	―	―	28	8.90
BUY SEK / SELL EUR (Millions of euros)	863	12	―	875	9.46
BUY SEK / SELL GBP (Millions of British pounds)	58	1	―	59	11.10
BUY USD / SELL SEK (Millions of U.S. dollars)	71	―	―	71	8.97
BUY EUR / SELL SEK (Millions of euros)	208	1	―	209	9.55
Foreign currency option contract transactions					
BUY JPY / SELL USD (Millions of U.S. dollars)	102	―	―	102	113.10
BUY JPY / SELL EUR (Millions of euros)	44	―	―	44	120.79
BUY JPY / SELL AUD (Millions of Australian dollars)	13	―	―	13	85.14
Interest rate risk					
Interest rate swap transactions					
USD (Millions of U.S. dollars)	125	450	―	576	―
SEK (Millions of Swedish kronas)	200	―	―	200	―
EUR (Millions of euros)	1	425	―	426	―
AUD (Millions of Australian dollars)	―	162	―	162	―
Interest rate and currency swap transactions					
USD (Millions of U.S. dollars)	276	631	―	907	98.66
AUD (Millions of Australian dollars)	―	107	―	107	93.32

(b) Carrying amount of hedging instruments

Transition date (April 1, 2015)

(Millions of yen)

	Carrying amount of hedging instruments		Line items on the Consolidated Statement of Financial Position
	Assets	Liabilities	
Foreign currency risk			
Foreign currency forward contracts transactions	1,053	2,015	Other financial assets and liabilities
Foreign currency option contract transactions	48	118	Other financial assets and liabilities
Total foreign currency risk	1,101	2,134	Other financial assets and liabilities
Interest rate risk			
Interest rate swap transactions	63	515	Other financial assets and liabilities
Interest rate and currency swap transactions	18,136	717	Other financial assets and liabilities
Total interest rate risk	18,199	1,233	Other financial assets and liabilities
Total hedging instruments	19,300	3,367	Other financial assets and liabilities

FY2016 (April 1, 2015‐ March 31, 2016)

(Millions of yen)

	Carrying amount of hedging instruments		Line items on the Consolidated Statement of Financial Position
	Assets	Liabilities	
Foreign currency risk			
Foreign currency forward contracts transactions	2,310	559	Other financial assets and liabilities
Foreign currency option contract transactions	89	34	Other financial assets and liabilities
Total foreign currency risk	2,399	594	Other financial assets and liabilities
Interest rate risk			
Interest rate swap transactions	38	683	Other financial assets and liabilities
Interest rate and currency swap transactions	12,609	2,885	Other financial assets and liabilities
Total interest rate risk	12,648	3,569	Other financial assets and liabilities
Total hedging instruments	15,047	4,164	Other financial assets and liabilities

FY2017 (April 1, 2016‐ March 31, 2017)

(Millions of yen)

	Carrying amount of hedging instruments		Line items on the Consolidated Statement of Financial Position
	Assets	Liabilities	
Foreign currency risk			
Foreign currency forward contracts transactions	650	1,144	Other financial assets and liabilities
Foreign currency option contract transactions	142	72	Other financial assets and liabilities
Total foreign currency risk	793	1,217	Other financial assets and liabilities
Interest rate risk			
Interest rate swap transactions	345	125	Other financial assets and liabilities
Interest rate and currency swap transactions	13,462	2,217	Other financial assets and liabilities
Total interest rate risk	13,807	2,342	Other financial assets and liabilities
Total hedging instruments	14,600	3,560	Other financial assets and liabilities

The carrying amount of surplus in cash flow hedges on the transition date, the fiscal year ended March 31, 2016 and the fiscal year ended March 31, 2017 consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Surplus in cash flow hedges	(679)	(1,235)	6

(ii) Effects of hedges on the consolidated statements of profit or loss and other comprehensive income (loss)

Profit (loss) from hedges in the fiscal years ended March 31, 2016 and 2017 consist of the following.

FY2016 (April 15, 2015‐ March 31, 2016)

(Millions of yen)

Cash flow hedges	Changes in the value of hedging instruments recognized in other comprehensive income	Amount transferred from surplus in cash flow hedges to profit or loss	Line items affected by transfers in profit or loss
Foreign currency risk	1,564	(1,183)	Net sales, Financial income, Financial expenses
Interest rate risk	(467)	(469)	Financial income, Financial expenses

FY2017 (April 15, 2016‐ March 31, 2017)

(Millions of yen)

Cash flow hedges	Changes in the value of hedging instruments recognized in other comprehensive income	Amount transferred from surplus in cash flow hedges to profit or loss	Line items affected by transfers in profit or loss
Foreign currency risk	(943)	650	Net sales, Financial income, Financial expenses
Interest rate risk	1,633	(98)	Financial income, Financial expenses

30. Leases

(1) Finance Leases

(i) As lessor

Toyota Industries leases mainly machinery and vehicles which are classified as finance leases.

The total amount and present value of the minimum future lease fees receivable based on finance leases consist of the following.

(Millions of yen)

	Total amount of the minimum future lease fees receivable			Present value of minimum lease fees receivable		
	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Within one year	66,332	83,885	87,817	52,752	68,807	73,034
Over one year but within five years	143,676	170,429	167,685	106,125	131,495	128,426
Over five years	5,685	6,047	13,943	3,872	4,101	10,597
Total	215,693	260,363	269,447	162,750	204,405	212,058
Elimination: interest equivalents	(22,316)	(21,672)	(20,472)			
Elimination: unwarranted residual value	(30,626)	(34,284)	(36,915)			
Present value of total minimum lease fees receivable	162,750	204,405	212,058			

(ii) As lessee

Toyota Industries leases mainly machinery and vehicles which are classified as finance leases.

The total amount and present value of the minimum future lease fees payable based on finance leases consist of the following.

(Millions of yen)

	Total amount of the minimum future lease fees payable			Present value of minimum lease fees payable		
	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Within one year	51,055	46,369	41,470	48,847	44,453	40,254
Over one year but within five years	120,668	101,812	77,292	117,201	98,878	74,338
Over five years	3,323	3,837	2,490	3,259	3,784	2,487
Total	175,047	152,019	121,253	169,308	147,116	117,080
Elimination: interest equivalents	(5,739)	(4,902)	(4,172)			
Present value of lease obligations	169,308	147,116	117,080			

For some lease agreements, there is a renewal option or a purchase option. Moreover, there are no restrictions imposed by lease agreements (e.g., restrictions on additional borrowings and additional leasing).

The total amount of the expected minimum future lease fees receivable based on non-cancellable sub-lease agreements consist of the following.

(Millions of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
The total amount of the expected minimum future lease fees	117,763	95,938

(2) Operating leases

(i) As lessor

Toyota Industries leases machinery and vehicles under cancellable or non-cancellable operating leases. The minimum future lease fees receivable based on non-cancellable operating lease agreements consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Within one year	18,486	48,642	55,209
Over one year but within five years	38,596	83,200	88,094
Over five years	752	710	1,297
Total	57,835	132,553	144,601

(ii) As lessee

Toyota Industries leases machinery and vehicles under cancellable or non-cancellable operating leases. The minimum future lease fees payable based on non-cancellable operating lease agreements consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Within one year	8,837	7,290	8,604
Over one year but within five years	24,497	17,056	18,632
Over five years	5,570	1,178	2,126
Total	38,905	25,526	29,363

The lease fees recognized as expenses consist of the following.

(Millions of yen)

	FY2016 (April 1, 2015- March 31, 2016)	FY2017 (April 1, 2016- March 31, 2017)
Lease fees	7,686	8,422

31. Discontinued Operations

The Company sold its shares of Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd., which were consolidated subsidiaries responsible for its core operations of the Logistics Business, in December 2015 and classified both companies as discontinued operations in the fiscal year ended March 31, 2016.

The shares of Asahi Securities and Wanbishi Archives were sold to SECOM Co., Ltd. and Nippon Express Co., Ltd., respectively, with payment in cash and other properties only.

1) Analysis of profit and loss of discontinued operations

(Millions of yen)

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Profit and loss of discontinued operations		
Net sales	45,048	―
Cost of sales	(32,119)	―
Gross profit	12,929	―
Selling, general and administrative expenses	(6,882)	―
Other income	113	―
Other expenses	(223)	―
Operating profit	5,936	―
Financial income	21	―
Financial expenses	(113)	―
Share of profit of investments accounted for by the equity method	3	―
Gains on sales of shares of subsidiaries	87,176	―
Profit before income taxes from discontinued operations	93,025	―
Income tax expenses	(31,590)	―
Profit from discontinued operations	61,435	―

2) Sales consideration

167,000 million yen

3) Main items of the assets and liabilities regarding sold subsidiaries

Cash and cash equivalents	26,902	million yen
Cash deposits for cash collection and deposit services	98,764	
Receivables - trade	6,597	
Property, plant and equipment	30,083	
Other assets	10,062	
Total assets	172,410	
Deposits received	99,148	
Accrued expenses	2,430	
Lease obligations	12,818	
Net defined benefit liabilities	3,560	
Other liabilities	13,726	
Total liabilities	131,684	

4) An analysis of cash flows from discontinued operations

(Millions of yen)

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Cash flows from discontinued operations:		—
Cash flows from operating activities	47,207	—
Cash flows from investing activities	149,380	—
Cash flows from financing activities	(35)	—
Total	196,552	—

32. Related Party Transactions

The transactions between Toyota Industries and related parties and the outstanding receivables and payables consist of the following.

(1) Transactions with related parties and outstanding receivables and payables

Toyota Industries has transactions with the following related parties.

(Millions of yen)

	FY2016 (April 1, 2015‐ March 31, 2016)	FY2017 (April 1, 2016‐ March 31, 2017)
Toyota Motor Corporation and its subsidiaries:		
Sales of goods and provision of services	197,903	205,938
Purchase of parts and receipt of services	22,032	22,841

Net sales and cost of sales are recorded at the time of repurchase under Japanese GAAP, under IFRS, on the other hand, only net amounts of machining cost equivalents are recognized as revenue. As a result, net sales to Toyota Motor Corporation decreased 490,755 million yen and 561,736 million yen for the fiscal years ended March 31, 2016 and 2017, respectively.

The unsettled balance on the above transactions and its allowance for credit losses consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Toyota Motor Corporation and its subsidiaries:			
Trade receivables and other receivables	24,007	44,994	38,983
Allowance for doubtful accounts	—	1	1
Trade payables and other payables	49,374	59,247	68,950

(2) Principal management personnel compensation

FY2016 (April 1, 2015‐ March 31, 2016)

(Millions of yen)

	Total amount of compensation	Total compensation by type	
		Basic compensation	Bonuses
Principal management personnel	1,194	774	420

FY2017 (April 1, 2016‐ March 31, 2017)

(Millions of yen)

	Total amount of compensation	Total compensation by type	
		Basic compensation	Bonuses
Principal management personnel	863	598	265

33. Contingencies

There are no material contingent liabilities that need to be disclosed as of the transition date, the end of the fiscal year ended March 31, 2016 and the end of fiscal year ended March 31, 2017.

34. Commitments

Regarding the acquisition of property, plant and equipment, important capital expenditures (commitments) which are contracted but not yet recognized on the consolidated financial statements are 7,473 million yen, 11,718 million yen and 23,298 million yen as of the transition date, the end of the fiscal year ended March 31, 2016 and the end of the fiscal year ended March 31, 2017, respectively.

35. Major Consolidated Subsidiaries

The Company's major subsidiaries are listed below. There are no subsidiaries of individual significance for which the Company has non-controlling interests as of the transition date as well as during the fiscal years ended March 31, 2016 and 2017.

Company Name	Location	Principal Business	Percentage of Voting Rights of The Company (%)
Tokyu Co., Ltd.	Oguchi-cho, Aichi	Automobile	100.00
Tokaiseiki Co., Ltd.	Iwata-shi, Shizuoka	Automobile	100.00
IZUMI MACHINE MFG. CO., LTD.	Obu-shi, Aichi	Automobile	100.00
TOYOTA L&F Tokyo Co., Ltd.	Shinagawa-ku, Tokyo	Materials Handling Equipment	100.00
Taikoh Transportation Co., Ltd.	Kariya-shi, Aichi	Others	54.04
Aichi Corporation	Ageo-shi, Saitama	Materials Handling Equipment	52.23
Toyota Industrial Equipment Mfg., Inc.	Indiana, U.S.A.	Materials Handling Equipment	100.00
Toyota Material Handling Manufacturing France S.A.S	Ancenis, France	Materials Handling Equipment	100.00
Michigan Automotive Compressor Inc.	Michigan, U.S.A.	Automobile	60.00
Toyota Industries Europe AB	Mjölby, Sweden	Materials Handling Equipment	100.00
Toyota Material Handling Europe AB	Mjölby, Sweden	Materials Handling Equipment	100.00
Toyota Industries North America, Inc.	Indiana, U.S.A.	Others	100.00
Toyota Material Handling U.S.A. Inc.	Indiana, U.S.A.	Materials Handling Equipment	100.00
TD Deutsche Klimakompressor GmbH	Sachsen, Germany	Automobile	65.00
Toyota Material Handling Australia Pty Limited	New South Wales, Australia	Materials Handling Equipment	100.00
TD Automotive Compressor Georgia, LLC	Georgia, U.S.A.	Automobile	77.40
Uster Technologies AG	Zurich, Switzerland	Textile Machinery	100.00
Industrial Components and Attachments, Inc	Oregon, U.S.A.	Materials Handling Equipment	100.00
Cascade Corporation	Oregon, U.S.A.	Materials Handling Equipment	100.00
Toyota Industry (Kunshan) Co., Ltd.	Jiangsu, China	Automobile	63.40
Toyota Industries Commercial Finance, Inc	Texas, U.S.A.	Materials Handling Equipment	100.00
Yantai Shougang TD Automotive Compressor Co., Ltd.	Shandong, China	Automobile	50.10

36. Subsequent Events

(Business combination through acquisition)

On May 18, 2017, Toyota Industries Europe AB, the Company's holding company for the Materials Handling Equipment Business in Europe, acquired Netherland-based Vanderlande Industries Holding B.V., which engages in the logistics solutions business on a global scale. The outline of the acquisition is as follows.

1. Outline of business combination

(1) Name and business of acquiree

Name: Vanderlande Industries Holding B.V. (hereinafter, "Vanderlande")

Business content: Logistics solutions business

(2) Main purpose of business combination

By making Vanderlande a consolidated subsidiary, the Company aims for further growth through globally providing new types of logistics solutions that customers demand.

(3) Date of business combination

May 18, 2017

(4) Measure of business combination

Stock acquisition

(5) Name of acquiree after business combination

Vanderlande Industries Holding B.V.

(6) Acquired voting rights ratio

Voting rights ratio of 100% after the acquisition

(7) Basis of determination of acquirer

Owing to (2), it is evident that the consolidated subsidiary of the Company holds a majority of the voting rights and controls the decision-making body.

2. Content and amount of principal acquisition-related expenses

Consideration for acquisition (cash): 144,639 million yen

Acquisition cost: 144,639 million yen

3. Amount of goodwill generated

Currently in the process of determining

(Business combination through acquisition)

On April 3, 2017, Toyota Advanced Logistics Solutions, Inc., the Company's subsidiary in North America, acquired U.S.-based Bastian Solutions LLC, a leading system integrator in North America. The outline of the acquisition is as follows.

1. Outline of business combination

(1) Name and business of acquiree

Name: Bastian Solutions LLC (hereinafter, "Bastian")

Business content: Logistics solutions business

(2) Main purpose of business combination

By making Bastian a consolidated subsidiary, the Company aims for full-fledged entry into the logistics solutions business in North America, where significant growth is anticipated.

(3) Date of business combination

April 3, 2017

(4) Measure of business combination

Stock acquisition

(5) Name of acquiree after business combination

Bastian Solutions LLC

(6) Acquired voting rights ratio

Voting rights ratio of 100% after the acquisition

(7) Basis of determination of acquirer

Owing to (2), it is evident that the consolidated subsidiary of the Company holds a majority of the voting rights and controls the decision-making body.

2. Content and amount of principal acquisition-related expenses

Consideration for acquisition (cash): 29,648 million yen

Acquisition cost: 29,648 million yen

3. Amount of goodwill generated

Currently in the process of determining

37. Disclosure on Transition to IFRS

Toyota Industries has disclosed consolidated financial statements based on IFRS since the annual securities report for the fiscal year ended March 31, 2017. The transition date to IFRS is April 1, 2015.

(1) IFRS 1 Exemption Rules

IFRS requires an entity which adopts IFRS for the first time to retroactively apply the standards required by IFRS in principle. However, IFRS 1 sets out that the exemption rules may be applied voluntarily for some of the standards required by IFRS. The effects of applying these rules are adjusted in retained earnings or other components of equity as of the transition date.

The following describes the main voluntary exemption rules applied by Toyota Industries.

● Business combinations

An entity first adopting IFRS may choose not to retroactively apply IFRS 3 to business combinations taking place before the transition date. Adopting the exemption rule, Toyota Industries has chosen not to retroactively apply IFRS 3 to business combinations that took place before the transition date. As a result, goodwill arising from business combinations before the transition date is based on the carrying amount under Japanese GAAP. Regarding goodwill, an impairment test was conducted as of the transition date regardless of whether there were signs of impairment or not.

● Translation adjustments of foreign operations

Under IFRS 1, the accumulated translation adjustments of foreign operations as of the transition date may be chosen to be regarded as zero. Accordingly, Toyota Industries regards as zero the accumulated transition adjustments of foreign operations as of the transition date.

● Designation of financial instruments recognized in the past

Based on the existing facts and situation as of the transition date, Toyota Industries has designated investments in equity financial instruments to be measured at fair value through other comprehensive income.

(2) Compulsory Exemption Rules to the Retroactive Application of IFRS 1

IFRS 1 prohibits the retroactive application of IFRS to "estimates", "suspension of recognition of financial assets and liabilities", "hedge accounting", "non-controlling interests" and "classification and measurement of financial assets". The Company applies IFRS to these items from the transition date and thereafter.

(3) Adjustment Tables

The following is the adjustment tables required to be disclosed for the first adoption of IFRS.

Adjustments to equity as of the transition date (April 1, 2015)

(Millions of yen)

Japanese GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
(Assets)						Assets
Current assets						Current assets
Cash and deposits	247,273	1,433	—	248,706		Cash and cash equivalents
Short-term investments	34,085	(34,085)	—	—		
Cash deposits for cash collection and deposit services	58,250	(58,250)	—	—		
	—	475,967	(552)	475,415	(6)	Trade receivables and other receivables
	—	91,472	716	92,189	(7)	Other financial assets
Trade notes and accounts receivable	265,504	(265,504)	—	—		
Lease investment assets	191,583	(191,583)	—	—		
Inventories	194,837	—	(1,889)	192,947		Inventories
Deferred tax assets	24,234	(24,234)	—	—		
	—	8,640	—	8,640		Income tax receivables
	—	35,793	2,132	37,926		Other current assets
Other current assets	68,603	(68,603)	—	—		
Allowance for doubtful accounts	(3,756)	3,756	—	—		
Total current assets	1,080,615	(25,197)	406	1,055,825		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	707,532	(431)	33,069	740,171	(1),(6)	Property, plant and equipment
Intangible assets	192,702	—	10,340	203,042	(2)	Goodwill and intangible assets
	—	243	755	999	(6)	Trade receivables and other receivables
	—	14,311	20	14,332		Investments accounted for by the equity method
	—	2,606,520	70,698	2,677,218	(5),(7)	Other financial assets
Investment securities	2,593,522	(2,593,522)	—	—		—
Net defined benefit assets	28,289	—	(6,005)	22,283		Net defined benefit assets
Deferred tax assets	18,228	15,829	(2,245)	31,812	(10)	Deferred tax assets
Lease investment assets	243	(243)	—	—		
Other investments and other assets	30,622	(30,622)	—	—		
Allowance for doubtful accounts	(860)	860	—	—		
	—	3,425	303	3,729		Other non-current assets
Total fixed assets	3,570,280	16,372	106,936	3,693,589		Total non-current assets
Total assets	4,650,896	(8,824)	107,343	4,749,415		Total assets

(Millions of yen)

Japanese GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
						Liabilities and equity
(Liabilities)						Liabilities
Current liabilities						Current liabilities
Trade notes and accounts payable	205,816	(205,816)	—	—		
	—	330,569	24,074	354,643	(3)	Trade payables and other payables
Corporate bonds and loans	146,789	—	—	146,789		Corporate bonds and loans
	—	135,740	2,926	138,667	(6),(7)	Other financial liabilities
Lease obligations	45,665	(45,665)	—	—		
Accounts payable– other	29,245	(29,245)	—	—		
Accrued income taxes	13,686	1,538	—	15,225		Accrued income taxes
Deferred tax liabilities	636	(636)	—	—		
Allowance for bonuses to directors	626	(626)	—	—		
Other current obligations	210,721	(210,721)	—	—		
	—	5,653	—	5,653		Provisions
	—	19,072	—	19,072		Other current liabilities
Total current liabilities	653,187	(136)	27,000	680,051		Total current liabilities
Long-term liabilities						Non-current liabilities
Corporate bonds and loans	607,152	—	18,229	625,382	(7)	Corporate bonds and loans
Lease obligations	117,185	(117,185)	—	—		
	—	117,234	4,397	121,632	(6),(7)	Other financial liabilities
Net defined benefit liabilities	86,766	—	1,295	88,062		Net defined benefit liabilities
	—	6,245	—	6,245		Provisions
Deferred tax liabilities	737,268	(7,768)	27,084	756,584	(4),(5)	Deferred tax liabilities
Other long-term liabilities	23,404	(23,404)	—	—		
	—	16,190	(1,262)	14,927	(3),(8)	Other non-current liabilities
Total long-term liabilities	1,571,779	(8,688)	49,743	1,612,834		Total non-current liabilities
Total liabilities	2,224,967	(8,824)	76,744	2,292,886		Total liabilities
(Net assets)						Equity
Capital stock	80,462	—	—	80,462		Capital stock
Capital surplus	105,592	—	—	105,592		Capital surplus
Retained earnings	644,165	—	61,356	705,521	(3),(9)	Retained earnings
Treasury stock	(41,509)	—	—	(41,509)		Treasury stock
Accumulated other comprehensive income	1,567,509	72	(26,319)	1,541,262	(3),(4),(5),(9)	Other components of shareholders' equity
Subscription rights to shares	72	(72)	—	—		
Non-controlling interests	69,636	—	(4,438)	65,198	(8)	Non-controlling interests
Total net assets	2,425,929	—	30,598	2,456,528		Total equity
Total liabilities and net assets	4,650,896	(8,824)	107,343	4,749,415		Total liabilities and equity

Notes on Adjustments to Equity

(1) Property, plant and equipment
The declining-balance method was mainly adopted under Japanese GAAP for the depreciation of property, plant and equipment; under IFRS, on the other hand, the straight-line method is adopted. Moreover, the useful lives of property, plant and equipment is changed due to the application of IFRS. As a result, the balance of property, plant and equipment increased 29,600 million yen.

(2) Development assets
Under Japanese GAAP, all expenditures for research and development are recorded as expenses when incurred; on the other hand, under IFRS, research and development expenses, which meet the requirements for capitalization as assets, are recognized as an intangible asset. As a result, goodwill and intangible assets increased 11,325 million yen.

(3) Employee benefits
Unused paid leave and other long-term employee benefits were not required to be accounted for under Japanese GAAP, while they are recognized as liabilities under IFRS. As a result, trade payables and other payables (current) increased 22,212 million yen, and other non-current liabilities increased 3,418 million yen.

Actuarial differences in obligations under defined benefit plans are recognized by Japanese GAAP as other comprehensive income when incurred and the amount appropriated by a certain number of years within the average remaining service period of employees is recorded as an expense from the year following occurrence; under IFRS, actuarial differences are recognized as other comprehensive income when incurred and are immediately transferred to retained earnings.

(4) Effective tax rate (pro forma standard taxation)
The value-added portion of pro forma standard taxation is not included in the calculation of the effective tax rate under Japanese GAAP; under IFRS, however, it is included in the effective tax rate to calculate tax effect accounting. As a result, deferred tax liabilities increased 13,942 million yen, and other components of shareholders' equity decreased 14,325 million yen.

(5) Measuring financial Instruments (unlisted stock)
Unlisted stock is recorded based on the acquisition cost and written down in accordance with the deterioration of issuing companies; under IFRS, on the other hand, they are measured at fair value through other comprehensive income. As a result, other financial assets (non-current) increased 52,041 million yen, deferred tax liabilities increased 16,802 million yen, and other components of shareholders' equity increased 34,240 million yen.

(6) Foundry
The equal installment payment for foundry and leased facilities is recorded as sales and cost of sales equally for a certain period under Japanese GAAP; under IFRS, on the other hand, it is treated as finance leases if it meets specific requirements. As a result, property, plant and equipment increased 4,425 million yen, trade receivables and other receivables(current) increased 907 million yen, trade receivables and other receivables (non-current) increased 755 million yen, other financial liabilities (current) increased 2,638 million yen and other financial liabilities (non-current) increased 3,818 million yen.

(7) Hedge accounting (corporate bonds and loans)

Regarding the derivative transactions to avoid foreign currency risks of corporate bonds and loans, special treatment and integrated processing by hedge accounting are adopted under Japanese GAAP; under IFRS, on the other hand, they are measured at fair value as of the end of the consolidated fiscal year. As a result, other financial assets (current) increased 716 million yen, other financial assets (non-current) increased 18,156 million yen. Moreover, corporate bonds and loans (non-current) increased 18,550 million yen, other financial liabilities (current) increased 290 million yen, and other financial liabilities (non-current) increased 577 million yen.

(8) Share-based compensation

The share-based compensation program for management adopted by some subsidiaries in overseas was recognized as a capital transaction under Japanese GAAP; under IFRS, on the other hand, it is recorded under liabilities as a cash-settled share-based compensation transaction. As a result, other non-current liabilities increased 5,550 million yen, while non-controlling interests decreased 5,058 million yen.

(9) Transfer of foreign currency translation adjustment to retained earnings

With the adoption of the exemption rule stipulated by IFRS 1, the outstanding accumulated translation difference for subsidiaries outside Japan of 55,598 million yen as of the transition date was fully transferred to retained earnings on the transition date.

(10) Recoverability of deferred tax assets

Regarding the recoverability of deferred tax assets, after considering the possibility of taxable profits being generated that could be used to utilize the benefits of the deductible temporary differences on the basis of IFRS, deferred tax assets increased 4,334 million yen.

Adjustments to retained earnings

(Millions of yen)

	Transition date(April 1, 2015)
(1) Property, plant and equipment	19,815
(2) Development assets	7,686
(3) Employee benefits	(33,696)
(9) Transfer of foreign currency translation adjustment to retained earnings	55,598
(10) Recoverability of deferred tax assets	4,334
Other	7,618
Total	61,356

Adjustments to equity for FY2016 (April 1, 2015‐ March 31, 2016)

(Millions of yen)

Japanese GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
(Assets)						Assets
Current assets						Current assets
Cash and deposits	352,302	(259,903)	―	92,399		Cash and cash equivalents
Short-term investments	10,871	(10,871)	―	―		
	―	625,276	(1,035)	624,240	(6)	Trade receivables and other receivables
	―	272,366	1,044	273,410	(7)	Other financial assets
Trade notes and accounts receivable	280,807	(280,807)	―	―		
Lease investment assets	235,598	(235,598)	―	―		
Inventories	197,202	―	(1,219)	195,982		Inventories
Deferred tax assets	25,185	(25,185)	―	―		
	―	7,170	―	7,170		Income tax receivables
	―	36,722	2,235	38,958		Other current assets
Other current assets	159,054	(159,054)	―	―		
Allowance for doubtful accounts	(3,796)	3,796	―	―		
Total current assets	1,257,226	(26,088)	1,023	1,232,161		Total current assets
Fixed assets						Non-current assets
Property, plant and equipment	781,251	(415)	34,562	815,399	(1),(6)	Property, plant and equipment
Intangible assets	170,214	―	18,992	189,207	(2),(8)	Goodwill and intangible assets
	―	141	863	1,005	(6)	Trade receivables and other receivables
	―	13,572	21	13,593		Investments accounted for by the equity method
	―	1,952,493	75,790	2,028,284	(5),(7)	Other financial assets
Investment securities	1,945,123	(1,945,123)	―	―		
Net defined benefit assets	8,215	―	3,435	11,651		Net defined benefit assets
Deferred tax assets	14,109	10,604	(2,115)	22,599	(11)	Deferred tax assets
Lease investment assets	141	(141)	―	―		
Long-term loans receivable	4,163	(4,163)	―	―		
Other investments and other assets	20,154	(20,154)	―	―		
Allowance for doubtful accounts	(1,403)	1,403	―	―		
	―	2,895	483	3,379		Other non-current assets
Total fixed assets	2,941,970	11,114	132,035	3,085,121		Total non-current assets
Total assets	4,199,196	(14,973)	133,059	4,317,282		Total assets

(Millions of yen)

Japanese GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
						Liabilities and equity
(Liabilities)						Liabilities
Current liabilities						Current liabilities
Trade notes and accounts payable	214,162	(214,162)	—	—		
	—	332,876	23,005	355,882	(3)	Trade payables and other payables
Corporate bonds and loans	190,844	—	—	190,844		Corporate bonds and loans
	—	72,538	2,902	75,440	(6),(7)	Other financial liabilities
Lease obligations	41,411	(41,411)	—	—		
Accounts payable– other	25,754	(25,754)	—	—		
Accrued income taxes	47,473	577	—	48,051		Accrued income taxes
Deferred tax liabilities	149	(149)	—	—		
Allowance for bonuses to directors	644	(644)	—	—		
Other current obligations	153,195	(153,195)	—	—		
	—	9,336	—	9,336		Provisions
	—	20,186	—	20,186		Other current liabilities
Total current liabilities	673,636	196	25,908	699,741		Total current liabilities
Long-term liabilities						Non-current liabilities
Corporate bonds and loans	700,149	—	11,275	711,424	(7)	Corporate bonds and loans
Lease obligations	98,771	(98,771)	—	—		
	—	98,777	7,470	106,248	(6),(7)	Other financial liabilities
Net defined benefit liabilities	90,920	—	(1,978)	88,942		Net defined benefit liabilities
	—	6,888	—	6,888		Provisions
Deferred tax liabilities	500,077	(14,430)	32,207	517,854	(4),(5)	Deferred tax liabilities
Other long-term liabilities	21,692	(21,692)	—	—		
	—	14,058	2,810	16,868	(3),(9)	Other non-current liabilities
Total long-term liabilities	1,411,611	(15,169)	51,785	1,448,227		Total non-current liabilities
Total liabilities	2,085,248	(14,973)	77,694	2,147,969		Total liabilities
(Net assets)						Equity
Capital stock	80,462	—	—	80,462		Capital stock
Capital surplus	105,562	—	(44)	105,517		Capital surplus
Retained earnings	789,502	—	65,815	855,317	(3),(10)	Retained earnings
Treasury stock	(41,266)	—	—	(41,266)		Treasury stock
Accumulated other comprehensive income	1,102,547	6	(3,926)	1,098,627	(3),(4),(5),(10)	Other components of shareholders' equity
Subscription rights to shares	6	(6)	—	—		
Non-controlling interests	77,133	—	(6,478)	70,655	(9)	Non-controlling interests
Total net assets	2,113,948	—	55,365	2,169,313		Total equity
Total liabilities and net assets	4,199,196	(14,973)	133,059	4,317,282		Total liabilities and equity

Notes on Adjustments to Equity

(1) Property, plant and equipment

The declining-balance method was mainly adopted under Japanese GAAP for the depreciation of property, plant and equipment; under IFRS, on the other hand, the straight-line method is adopted. Moreover, the useful lives of property, plant and equipment is changed due to the application of IFRS. As a result, the balance of property, plant and equipment increased 29,836 million yen.

(2) Development assets

Under Japanese GAAP, all expenditures for research and development are recorded as expenses when incurred; on the other hand, under IFRS, research and development expenses, which meet the requirements for capitalization as assets, are recognized as an intangible asset. As a result, goodwill and intangible assets increased 11,865 million yen.

(3) Employee benefits

Unused paid leave and other long-term employee benefits were not required to be accounted for under Japanese GAAP, while they are recognized as liabilities and expenses under IFRS. As a result, trade payables and other payables (current) increased 23,158 million yen and other non-current liabilities increased 3,380 million yen.

Actuarial differences in obligations under defined benefit plans are recognized by Japanese GAAP as other comprehensive income when incurred and the amount appropriated by a certain number of years within the average remaining service period of employees is recorded as an expense from the year following occurrence; under IFRS, actuarial differences are recognized as other comprehensive income when incurred and are immediately transferred to retained earnings.

(4) Effective tax rate (pro forma standard taxation)

The value-added portion of pro forma standard taxation is not included in the calculation of the effective tax rate under Japanese GAAP; under IFRS, however, it is included in the effective tax rate to calculate tax effect accounting. As a result, deferred tax liabilities increased 12,044 million yen and other components of shareholders' equity decreased 12,748 million yen.

(5) Measuring financial instruments (unlisted stock)

Unlisted stock is recorded based on the acquisition cost and written down in accordance with the deterioration of issuing companies; under IFRS, on the other hand, they are measured at fair value through other comprehensive income. As a result, other financial assets (non-current) increased 62,764 million yen, deferred tax liabilities increased 19,389 million yen and other components of shareholders' equity increased 42,356 million yen.

(6) Foundry

The equal installment payment for foundry and leased facilities is recorded as sales and cost of sales equally for a certain period under Japanese GAAP; under IFRS, on the other hand, it is treated as finance leases if it meets specific requirements. As a result, Property, plant and equipment 3,794 million yen, trade receivables and other receivables (current) increased 1,549 million yen, trade receivables and other receivables (non-current) increased 863 million yen, other financial liabilities (current) increased 2,795 million yen and other financial liabilities (non-current) increased 4,138 million yen.

(7) Hedge accounting (corporate bonds and loans)

Regarding the derivative transactions to avoid foreign currency risks of corporate bonds and loans, special treatment and integrated processing by hedge accounting are adopted under Japanese GAAP; under IFRS, on the other hand, they are measured at fair value as of the end of the consolidated fiscal year. As a result, other financial assets (current) increased 1,044 million yen, other financial assets (non-current) increased 12,609 million yen. Moreover, corporate bonds and loans (non-current) increased 11,585 million yen, other financial liabilities (current) increased 107 million yen and other financial liabilities (non-current) increased 3,331 million yen.

(8) Goodwill

Goodwill was amortized equally within no more than 20 years under Japanese GAAP in principle; under IFRS, on the other hand, it has not been amortized since the transition date, while an impairment test is conducted for every fiscal year. As a result, goodwill and intangible assets increased 10,369 million yen.

(9) Share-based compensation

The share-based compensation program for management adopted by some subsidiaries in overseas was recognized as a capital transaction under Japanese GAAP; under IFRS, on the other hand, it is recorded under liabilities as a cash-settled share-based compensation transaction. As a result, other non-current liabilities increased 6,465 million yen, while non-controlling interests decreased 5,857 million yen.

(10) Transfer of foreign currency translation adjustment to retained earnings

With the adoption of the exemption rule stipulated by IFRS 1, the outstanding accumulated translation difference for subsidiaries outside Japan of 55,598 million yen as of the transition date was fully transferred to retained earnings on the transition date.

(11) Recoverability of deferred tax assets

Regarding the recoverability of deferred tax assets, after considering the possibility of taxable profits being generated that could be used to utilize the benefits of the deductible temporary differences on the basis of IFRS, deferred tax assets increased 4,079 million yen.

Adjustments to retained earnings

(Millions of yen)

	FY 2016(As of March 31, 2016)
(1) Property, plant and equipment	20,009
(2) Development assets	8,031
(3) Employee benefits	(40,334)
(8) Goodwill	10,369
(10) Transfer of foreign currency translation adjustment to retained earnings	55,598
(11) Recoverability of deferred tax assets	4,079
Other	8,062
Total	65,815

Adjustments to profit attributable to owners of the parent and comprehensive income in FY2016 (April 1, 2015 - March 31, 2016)

(Millions of yen)

Japanese GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
Net sales	2,243,220	(45,048)	(501,314)	1,696,856	(1),(2),(7)	Net sales
Cost of sales	(1,812,293)	30,756	489,677	(1,291,859)	(1),(3),(5),(7)	Cost of sales
Gross profit	430,926	(14,292)	(11,637)	404,997		Gross profit
Selling, general and administrative expenses	(296,214)	5,536	23,783	(266,894)	(2),(4),(5),(6),(8),(9)	Selling, general and administrative expenses
	—	11,595	(715)	10,879		Other income
	—	(12,707)	750	(11,956)		Other expenses
Operating profit	134,712	(9,868)	12,182	137,026		Operating profit
Non-operating profit	78,095	(78,095)	—	—		
Non-operating expenses	(27,408)	27,408	—	—		
Extraordinary profit	89,819	(89,819)	—	—		
	—	67,131	133	67,264		Financial income
	—	(13,122)	(414)	(13,536)	(5)	Financial expenses
	—	638	(6)	632		Share of profit (loss) of investments accounted for by the equity method
Profit before income taxes	275,218	(95,726)	11,895	191,386		Profit before income taxes
Total income taxes	(83,445)	31,502	(922)	(52,865)	(6)	Income taxes
	—	64,224	(2,789)	61,435		Profit (loss) from discontinued operations
Profit	191,772	—	8,183	199,956		Profit
Profit attributable to owners of the parent	183,036	—	11,233	194,270		Profit attributable to owners of the parent
Profit attributable to non-controlling interests	8,735	—	(3,049)	5,685	(9)	Profit attributable to non-controlling interests

(Millions of yen)

Japanese GAAP		Reclassification	Recognized and measured difference	IFRS		
Line item	Amount	Amount	Amount	Amount	Notes	Line item
Profit	191,772	—	8,183	199,956		Profit
Other comprehensive income						Other comprehensive income
						Items not to be reclassified into profit or loss
Valuation difference on available-for-sale securities	(417,966)	—	8,767	(409,198)	(10)	Net changes in revaluation of FVTOCI financial assets
Defined benefit plan adjustments	(14,872)	—	7,849	(7,022)	(5)	Remeasurements of defined benefit plans
	—	(18)	—	(18)		Other comprehensive income of affiliates accounted for by the equity method
				(416,239)		Total items not to be reclassified into profit or loss
						Items that can be reclassified into profit or loss
Foreign currency translation adjustment	(35,659)	—	166	(35,492)		Translation adjustments of foreign operations
Deferred gains or losses on hedges	379	—	(935)	(556)		Cash flow hedges
	—	(689)	—	(689)		Other comprehensive income of affiliates accounted for by the equity method
				(36,737)		Total items that can be reclassified into profit or loss
Share of other comprehensive income of affiliated companies accounted for using equity method	(707)	707	—	—		
Total other comprehensive income	(468,826)	—	15,848	(452,977)		Total other comprehensive income
Comprehensive income	(277,053)	—	24,032	(253,021)		Comprehensive income
Profit attributable to owners of the parent	(281,925)	—	26,851	(255,074)		Owners of the parent
				(316,549)		Continuing operations
				61,475		Discontinued operations
Profit attributable to non-controlling interests	4,871	—	(2,818)	2,053		Non-controlling interests

Notes on Adjustments for Profit and Loss and Comprehensive Income and Loss

(1) Supply-for-a-fee transactions

Regarding supply-for-a-fee transactions, net sales and cost of sales are recorded at the time of repurchase under Japanese GAAP; under IFRS, on the other hand, only net amounts of machining cost equivalents are recognized as revenue. As a result, net sales decreased 490,913 million yen and cost of sales decreased 490,913 million yen.

(2) Promotion expenses

Rebates considered at the time of deciding sales terms were recorded as promotion expenses under selling, general and administrative expenses; under IFRS, on the other hand, net sales are reduced. As a result, net sales decreased 12,382 million yen and selling, general and administrative expenses decreased 12,382 million yen.

(3) Property, plant and equipment (depreciation)

The declining-balance method was mainly adopted under Japanese GAAP for the depreciation of property, plant and equipment; under IFRS, on the other hand, the straight-line method is adopted. Moreover, service life has been changed for certain property, plant and equipment. As a result, cost of sales increased 852 million yen.

(4) Development assets (research and development expenses)

Under Japanese GAAP, all expenditures for research and development are recorded as expenses when incurred; on the other hand, under IFRS, research and development expenses, which meet the requirements for capitalization as assets, are recognized as an intangible asset and amortized. As a result, selling, general and administrative expenses decreased 817 million yen.

(5) Employee benefits

Unused paid leave and other long-term employee benefits were not required to be accounted for under Japanese GAAP, while they are recognized as liabilities and expenses under IFRS. As a result, cost of sales increased 373 million yen and selling, general and administrative expenses increased 528 million yen.

Actuarial differences in obligations under defined benefit plans and prior service cost are recognized by Japanese GAAP as other comprehensive income when incurred. Also, the amount appropriated by a certain number of years within the average remaining service period of employees is recorded as an expense from the year following occurrence. Under IFRS, actuarial differences are recognized as other comprehensive income when incurred and prior service cost is treated as a lump sum expense when incurred. Also, the discount rate applied to determine the defined benefit obligations mainly refers to the market yields on government bonds under Japanese GAAP. Under IFRS, however, it is based on the market yields on high-quality corporate bonds, and therefore, the discount rate of the plan assets has been changed. As a result, Toyota Industries observed a decrease in cost of sales of 57 million yen, selling, general and administrative expenses of 931 million yen, financial expenses of 414 million yen and an increase in other comprehensive income of 7,849 million yen.

(6) Effective tax rate (pro forma standard taxation)

The value-added portion of pro forma standard taxation is recorded in selling, general and administrative expenses under Japanese GAAP; under IFRS, on the other hand, it is recognized as an income tax expense. As a result, selling, general and administrative expenses decreased 1,820 million yen, while income tax expenses increased 1,820 million yen.

(7) Foundry

The equal installment payment for foundry and leased facilities is recorded as sales and cost of sales equally for a certain period under Japanese GAAP; under IFRS, on the other hand, it is treated as finance leases if it meets specific requirements. As a result, net sales increased 1,146 million yen and cost of sales increased 1,106 million yen.

(8) Goodwill

Goodwill was amortized equally within no more than 20 years under Japanese GAAP in principle; under IFRS, on the other hand, it has not been amortized since the transition date, while an impairment test is conducted for every period. As a result, selling, general and administrative expenses decreased 10,369 million yen.

(9) Share-based compensation

The share-based compensation program for management adopted by some subsidiaries in North America was recognized as a capital transaction under Japanese GAAP; under IFRS, on the other hand, it is recorded in expenses as a cash-settled share-based compensation transaction. As a result, selling, general and administrative expenses increased 1,685 million yen, while profit attributable to non-controlling interests decreased 1,685 million yen.

(10) Measuring financial instruments (unlisted stock)

Unlisted stock is recorded based on the acquisition cost and written down in accordance with the deterioration of issuing companies; under IFRS, on the other hand, they are measured at fair value through other comprehensive income. As a result, other comprehensive income increased 8,115 million yen.

Notes on Reclassification of Lines

In addition to the above, Toyota Industries has reclassified line items to follow the provisions of IFRS. The following are the main changes:

a) Cash and cash equivalents

Time deposits maturing within three months, which were included in cash and deposits under Japanese GAAP, are included in other financial assets under IFRS. Moreover, marketable securities maturing within three months, which were included in marketable securities under Japanese GAAP, are included in cash and cash equivalents under IFRS.

b) Trade receivables and other receivables (current)

Trade notes and accounts receivable, lease investment assets and allowance for doubtful accounts, which were recorded separately, as well as loans for sales financing, which were included in other current assets under Japanese GAAP, are presented as trade receivables and other receivables (current) under IFRS.

c) Other financial assets (current)

Time deposits with a term of over three months, which were included in cash and deposits, as well as derivative assets, which were included in other current assets under Japanese GAAP, are included in other financial assets (current) under IFRS.

d) Other current assets

Loans for sales financing, which were included in other current assets under Japanese GAAP, are presented as trade receivables and other receivables (current) under IFRS. Moreover, derivative assets are presented as other financial assets (current) under IFRS.

e) Trade receivables and other receivables (non-current)

Lease investment assets and allowance for doubtful accounts, which were recorded separately under Japanese GAAP, are included in trade receivables and other receivables (non-current) under IFRS.

f) Investments accounted for by the equity method

Investments accounted for by the equity method, which were included in investment securities under Japanese GAAP, are recorded separately as investments accounted for by the equity method under IFRS.

g) Other financial assets (non-current)

Investment securities, which were recorded separately, as well as derivative assets, which were included in other intangible assets under Japanese GAAP, are included in other financial assets (non-current) under IFRS.

h) Other non-current assets

Long-term prepaid expenses, which were included in other investments and other assets under Japanese GAAP, are included in other non-current assets under IFRS.

i) Deferred tax assets and deferred tax liabilities

Deferred tax assets, which were recorded as current assets under Japanese GAAP, have been reclassified as deferred tax assets under non-current assets under IFRS. Moreover, deferred tax liabilities, which were recorded as current liabilities under Japanese GAAP, have been reclassified as deferred tax liabilities under non-current liabilities under IFRS.

j) Trade payables and other payables

Trade notes and accounts payable, and accounts payable− other, which were recorded separately, as well as provision for bonuses, which was included in other current obligations under Japanese GAAP, are presented as trade payables and other payables under IFRS.

k) Other financial liabilities (current)

Lease obligations, which were recorded separately, as well as derivative liabilities, which were included in other current obligations under Japanese GAAP, are included in other financial liabilities (current) under IFRS.

l) Provisions (current)

Warranty provision and asset retirement obligations, which were included in other current obligations under Japanese GAAP, are included in provisions (current) under IFRS.

m) Other current liabilities

Accrued expenses, which were included in other current obligations under Japanese GAAP, are included in trade payables and other payables under IFRS. Moreover, employees' savings and deposits, which were included in other current obligations under Japanese GAAP, are included in other financial liabilities (current) under IFRS.

n) Other financial liabilities (non-current)

Lease obligations, which were recorded separately, as well as derivative liabilities, which were included in other long-term liabilities under Japanese GAAP, are included in other financial liabilities (non-current) under IFRS.

o) Provisions (non-current)

Warranty provisions and asset retirement obligations, which were included in other long-term liabilities under Japanese GAAP, are included in other provisions (non-current) under IFRS.

p) Profit and loss of discontinued operations

Profit and loss of discontinued operations, which were included in individual line items including net sales and cost of sales under Japanese GAAP, are all consolidated and presented, together with gain on sales of shares of subsidiaries, which were included in extraordinary profit, as profit and loss from discontinued operations under IFRS.

q) Other income

Gain on sales of fixed assets, which was included in other non-operating profit under Japanese GAAP, is included in other income under IFRS.

r) Other expenses

Loss on sales of fixed assets, which was included in other non-operating expenses under Japanese GAAP, is included in other expenses under IFRS.

s) Financial income

Interest income and dividends income, which were included in non-operating profit under Japanese GAAP, are included in financial income under IFRS.

t) Financial expenses

Interest expenses, which were included in non-operating expenses under Japanese GAAP, are included in financial expenses under IFRS.

u) Share of profit (loss) of investments accounted for by the equity method

Equity in net earnings of affiliated companies, which was included in non-operating profit under Japanese GAAP, is recorded separately as share of profit (loss) of investments accounted for by equity method under IFRS.

Notes on Reclassification of Financial Statements under Japanese GAAP

From the fiscal year ended March 31, 2017 under Japanese GAAP, finance revenue and expense related to sales financing business have been reclassified from non-operating profit and expense to operating profit and expense, and loan receivable and lease investments related to sales financing business in fixed assets have been reclassified to current assets. Under IFRS, these are presented as operating profit and expense, or current assets in the financial statements on and after the transition date.

Adjustments to Consolidated Cash Flow

Cash flows generated from short-term loans payable were presented on a net basis under Japanese GAAP. However, under IFRS, short-term loans payable with the borrowing period of over three months are recorded on a gross basis separately as proceeds from short-term loans payable (over three months) and repayments of short-term loans payable (over three months).

II. [Other]

Quarterly information in the fiscal year ended March 31, 2017

(Cumulative period)	First quarter	Second quarter	Third quarter	Full year
Net sales (millions of yen)	529,788	1,078,430	1,640,554	2,250,466
Profit before income taxes (millions of yen)	55,325	84,305	148,502	177,121
Profit attributable to owners of the parent (millions of yen)	41,266	60,979	107,431	125,534
Earnings per share (yen)	131.33	194.29	343.39	402.00

(Accounting period)	First quarter	Second quarter	Third quarter	Full year
Quarterly earnings per share (yen)	131.33	62.88	149.42	58.30

(Notes) 1. Quarterly information for the fiscal year ended March 31, 2017 has been prepared in accordance with Japanese GAAP.

(Notes) 2. Audits and reviews in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act have not been conducted for the consolidated fiscal year under review (April 1, 2016 - March 31, 2017) and the fourth quarter of the consolidated fiscal year (January 1, 2017 - March 31, 2017).

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Independent Auditor's Report

To the Board of Directors of Toyota Industries Corporation

We have audited the accompanying consolidated financial statements of Toyota Industries Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2017, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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To the Board of Directors of Toyota Industries Corporation
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Emphasis of matter

1. We draw attention to Note 36 of the consolidated financial statements, which refers to subsequent events. On May 18, 2017, Toyota Industries Europe AB, holding company of the Company's material handling equipment business in Europe, acquired Vanderlande Industries Holding B.V.
2. We draw attention to Note 36 of the consolidated financial statements, which refers to subsequent events. On April 3, 2017, Toyota Advanced Logistics Solutions, Inc., the Company's subsidiary in North America, acquired Bastian Solutions LLC.

Our opinion is not qualified in respect of these matters.

PricewaterhouseCoopers Aarata LLC

September 29, 2017

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