



Annual Financial Report 2020

For the Year Ended March 31, 2020

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Financial Summary

Toyota Industries Corporation and its consolidated subsidiaries

< IFRS >

	FY2016	FY2017	FY2018	FY2019	FY2020
Net sales (Millions of yen)	1,696,856	1,675,148	2,003,973	2,214,946	2,171,355
Operating profit (Millions of yen)	137,026	127,345	147,445	134,684	128,233
Profit (Millions of yen)	199,956	137,565	173,816	159,778	150,187
Profit: attributable to owners of the parent (Millions of yen)	194,270	131,398	168,180	152,748	145,881
Comprehensive income (Millions of yen)	(253,021)	202,743	361,599	(16,789)	10,474
Share of equity attributable to owners of the parent (Millions of yen)	2,098,658	2,240,293	2,553,391	2,479,718	2,438,807
Total assets (Millions of yen)	4,317,282	4,558,212	5,258,500	5,261,174	5,279,653
Equity per share: attributable to owners of the parent (Yen)	6,678.80	7,215.37	8,223.82	7,986.59	7,854.87
Earnings per share—basic (Yen)	618.34	420.78	541.67	491.97	469.85
Earnings per share—diluted (Yen)	618.33	—	—	—	—
Ratio of equity attributable to owners of the parent to total assets (%)	48.61	49.15	48.56	47.13	46.19
Return on equity attributable to owners of the parent (%)	8.65	6.06	7.02	6.07	5.93
Price-to-earnings ratio (Times)	8.18	13.14	11.89	11.28	11.02
Net cash provided by operating activities (Millions of yen)	248,049	239,094	268,567	270,306	313,199
Net cash used in investing activities (Millions of yen)	(532,238)	(86,925)	(340,324)	(395,000)	(182,598)
Net cash provided by financing activities (Millions of yen)	124,495	789	153,303	40,467	(7,094)
Cash and cash equivalents at end of period (Millions of yen)	92,399	243,685	323,830	239,140	358,144
Number of employees [Average number of part-time employees, not included in number of employees above]	51,458 [9,871]	52,623 [10,995]	61,152 [11,705]	64,641 [12,625]	66,478 [12,788]

(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 ended March 31, 2017. The date of transition to IFRS is April 1, 2015.

(Notes) 2. Net sales do not include consumption taxes.

(Notes) 3. Amounts for diluted earnings per share are not presented for FY2017, FY2018, FY2019 and FY2020 because there are no shares with a potentially dilutive effect.

(Notes) 4. Number of employees is the number of workers (excluding people dispatched from the Group to outside the Group, but including people dispatched from outside the Group to the Group).

< Japanese GAAP >

	FY2016	FY2017
Net sales (Millions of yen)	2,243,220	2,250,466
Ordinary profit (Millions of yen)	185,398	177,121
Profit: attributable to owners of the parent (Millions of yen)	183,036	125,534
Comprehensive income (Millions of yen)	(277,053)	198,548
Total equity (Millions of yen)	2,113,948	2,256,271
Total assets (Millions of yen)	4,199,196	4,428,644
Equity per share (Yen)	6,481.97	6,995.47
Earnings per share—basic (Yen)	582.58	402.00
Earnings per share—diluted (Yen)	582.57	—
Equity-to-total assets ratio (%)	48.50	49.04
Return on equity (%)	8.33	5.97
Price-to-earnings ratio (Times)	8.69	13.76
Net cash provided by operating activities (Millions of yen)	240,169	245,602
Net cash used in investing activities (Millions of yen)	(531,561)	(82,509)
Net cash provided by (used in) by financing activities (Millions of yen)	130,923	(6,615)
Cash and cash equivalents at end of period (Millions of yen)	92,399	243,685
Number of employees [Average number of part-time employees, not included in number of employees above]	51,458 [9,871]	52,623 [10,995]

(Notes) 1. Amounts for FY2017 are unaudited financial information pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

(Notes) 2. Net sales do not include consumption taxes.

(Notes) 3. Certain FY2016 amounts have been reclassified to conform to the changes in presentation in FY2017.

(Notes) 4. Amounts for diluted earnings per share are not presented for FY2017 because there are no shares with a potentially dilutive effect.

(Notes) 5. Number of employees is the number of workers (excluding people dispatched from the Group to outside the Group, but including people dispatched from outside the Group to the Group).

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 is based on information known to management as of June 2020.

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, 2020 is referred to as FY2020 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 256 consolidated subsidiaries.

1. Result of Operations

(1) Operating Performance

In FY2020 (ended March 31, 2020), the global economy was solid overall despite such uncertainties as the deceleration of the Chinese economy arising from U.S.-China trade frictions and geopolitical risks. However, during the few months leading to the fiscal year-end the global economy went on a dramatic downward spiral due to the spread of COVID-19. Meanwhile, the Japanese economy deteriorated during the second half of FY2020. In addition to the factors mentioned above, the primary reasons for the deterioration included a decrease in anemic consumer spending that accompanied the consumption tax hike and natural disaster. In this operating environment, Toyota Industries undertook efforts to ensure customer trust through a priority to quality as well as to respond flexibly to market trends.

Total consolidated net sales amounted to 2,171.3 billion yen, a decrease of 43.6 billion yen, or 2%, from the previous fiscal year.

(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 remained roughly on par with the previous fiscal year in Japan despite contraction in other areas. Amid such operating conditions, net sales of the Automobile Segment totaled 613.8 billion yen, an increase of 3.1 billion yen, or 1%. Operating profit amounted to 17.2 billion yen, an increase of 10.4 billion yen, or 153%, from the previous fiscal year.

Within this segment, net sales of the Vehicle Business amounted to 89.9 billion yen, an increase of 7.5 billion yen, or 9%, due mainly to increases in sales of the new RAV4 whose production started in November 2018.

Net sales of the Engine Business totaled 122.4 billion yen, an increase of 14.0 billion yen, or 13%, resulting mainly from increases in sales of new A25A and M20A gasoline engines.

Net sales of the Car Air-Conditioning Compressor Business totaled 328.1 billion yen, a decrease of 18.1 billion yen, or 5%. Sales in Japan increased while those in North America and Europe decreased.

Net sales of Electronics Parts, Foundry and Others Business totaled 73.2 billion yen, on par with the previous fiscal year. This was because decreases in sales of foundry products were offset by increases in sales of electronics parts.

(Materials Handling Equipment)

The materials handling equipment market remained roughly on par with the previous fiscal year in North America, while it shrank in Europe. Amid this operating climate, net sales of the Materials Handling Equipment Segment totaled 1,436.3 billion yen, a decrease of 30.3 billion yen, or 2%. This was due primarily to decreases in sales of mainstay lift trucks and the impact of exchange rate fluctuations. Operating profit amounted to 102.2 billion yen, a decrease of 12.4 billion yen, or 11%, from the previous fiscal year.

(Textile Machinery)

The textile machinery market was stagnant in Asia, including China, Toyota Industries' primary market. Net sales of the Textile Machinery Segment totaled 61.7 billion yen, a decrease of 14.6 billion yen, or 19%, due mainly to decreases in sales of weaving machinery and yarn quality measurement instruments.

Operating profit amounted to 2.9 billion yen, a decrease of 4.4 billion yen, or 60%, from the previous fiscal year.

(3) Operating profit

Operating profit for FY2020 was 128.2 billion yen, a decrease of 6.4 billion yen, or 5%, from the previous fiscal year. This was due mainly to the impact of COVID-19, Typhoon No. 19 (Hagibis) and exchange rate fluctuations, partially offset by sales efforts and increases in promoting cost reduction efforts throughout the Toyota Industries Group.

(4) Profit before income taxes

Profit before income taxes amounted to 196.2 billion yen, a decrease of 6.0 billion yen, or 3%, from the previous fiscal year. This was due mainly to a decrease in operating profit of 6.4 billion yen, or 5%, from the previous fiscal year to 128.2 billion yen.

(5) Profit attributable to owners of the parent

Profit attributable to owners of the parent totaled 145.8 billion yen, a decrease of 6.9 billion yen, or 4%, from the previous fiscal year.

Earnings per share—basic was 469.85 yen compared with 491.97 yen in the previous fiscal year.

2. Consolidated Financial Condition

Total assets amounted to 5,279.6 billion yen, an increase of 18.5 billion yen from the end of the previous fiscal year. This was because a decrease in fair value of investment securities was offset mainly by an increase in cash and cash equivalents, and property, plant and equipment. Liabilities amounted to 2,759.1 billion yen, an increase of 59.9 billion yen from the end of the previous fiscal year, due mainly to an increase in corporate bonds and loans. Equity amounted to 2,520.5 billion yen, a decrease of 41.4 billion yen from the end of the previous fiscal year.

3. Liquidity and Capital Resources

(1) Capital needs and returning profits to shareholders

Toyota Industries' primary capital needs are twofold, specifically, long-term capital needs for research and development, capital investment, M&A and others as well as working capital needs for purchasing raw materials and parts for manufacturing the Group's products and for manufacturing costs and selling, general and administrative expenses.

In addition to prioritizing fund allocation in research and development and capital investment, it is Toyota Industries' policy to invest funds in M&A and others when deemed necessary for business expansion and sustainable growth.

As for returning profits to shareholders, it is determined to pay dividends at the consolidated dividend payout ratio of around 30%. In regard to dividend policy, refer to "7. Dividend Policy".

(2) Financial policy

Toyota Industries' financial policy is to ensure sufficient financing for its business activities and to maintain sufficient liquidity and strong consolidated financial position. 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 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.

Toyota Industries receives credit ratings from S&P Global Ratings Japan Inc., Moody's Japan K.K. and Rating & Investment Information, Inc. and strives to maintain and improve its ratings to procure funds at favorable terms.

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 to improve efficiency of funds operations.

4. Cash Flows

Net cash provided by operating activities was 313.1 billion yen in FY2020, due mainly to posting profit before income taxes of 196.2 billion yen. Net cash provided by operating activities increased by 42.8 billion yen compared to net cash provided by operating activities of 270.3 billion yen in the previous fiscal year.

Net cash used in investing activities was 182.5 billion yen in FY2020, attributable primarily to payments for bank deposits of 547.6 billion yen and payments for purchases of property, plant and equipment of 216.0 billion yen, which offset proceeds from withdrawals of bank deposits of 594.7 billion yen. Net cash used in investing activities decreased by 212.5 billion yen compared to net cash used in investing activities of 395.0 billion yen in the previous fiscal year.

Net cash used in financing activities was 7.0 billion yen in FY2020 compared with a net cash provided of 40.4 billion yen in the previous fiscal year, due mainly to repayments of long-term loans payable of 122.9 billion yen and repayments of corporate bonds of 93.8 billion yen, which together offset proceeds from long-term loans payable of 183.1 billion yen.

After adding translation adjustments and cash and cash equivalents at beginning of period, cash and cash equivalents as of March 31, 2020 stood at 358.1 billion yen, an increase of 119.0 billion yen, or 50%, from the end of the previous fiscal year.

5. Investment in Property, Plant and Equipment

During FY2020, Toyota Industries made a total investment of 255,015 million yen in property, plant and equipment (including materials handling equipment for operating 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 69,239 million yen, 180,398 million yen, 1,409 million yen and 3,968 million yen, respectively.

6. Strategies and Outlook

Outlook for Results for FY2021

With regard to the future economic outlook, uncertainties abound including U.S.-China trade frictions, geopolitical risks and concerns over the prolonged spread of COVID-19. As such, the environment surrounding Toyota Industries' major businesses, namely Automobiles and Materials Handling Equipment, preclude optimism.

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

To quickly respond to dramatic changes in the business environment, we will strengthen risk management and carry out thorough cost improvement activities to transform ourselves into a more muscular and resilient management platform. In addition, we will strive to improve productivity in the back-office operations through work style reforms and reduce fixed costs.

Moreover, we will raise the competitiveness of our businesses and aim for further growth by promoting innovative technology and product development while also proactively embracing digital technologies and open innovation. To support such business development, we will continue our efforts to create an organization and workplace environment that enables diverse human resources to fully demonstrate their abilities and develop personnel who learn and think on their own and quickly take the initiative.

In other areas, Toyota Industries will create a workplace environment 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 CO2 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 making the earth a better place to live, enriched lifestyles and a comfortable society as described in Toyota Industries' Vision 2030.

7. Dividend Policy

Toyota Industries intends 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' Board of Directors meeting, held on April 30, 2020, approved a year-end cash dividend of 80.0 yen per share. Including the interim cash dividend of 80.0 yen per share, cash dividends for the year totaled 160.0 yen per share.

Toyota Industries will use retained earnings to improve the competitiveness of its products, augment production capacity in Japan and outside Japan, 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.

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, 2020.

(1) Principal Customers

Toyota Industries' automobile and engine products are sold primarily to Toyota Motor Corporation ("TMC"). In FY2020, net sales to TMC accounted for 11.2% of consolidated net sales. Therefore, TMC's vehicle sales could have an impact on Toyota Industries' business results. As of March 31, 2020, 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 that there is no assurance that Toyota Industries will be able to 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 outside Japan, 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. To reduce such possibilities to a minimum, Toyota Industries uses, in principle, derivative transactions such as forward exchange contracts to hedge risks of exchange rate fluctuations.

(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. To reduce such possibilities to a minimum, Toyota Industries works with business suppliers for optimizing the supply chain such as obtaining alternative means of supplies of raw materials and parts by regionally dispersing channels.

(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, wars and disease, 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

There are no material significant contract agreements that need to be disclosed as of the end of fiscal year ended March 31, 2020.

10. 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 Toyoda Automatic Loom Works, Ltd. (the present Toyota Industries), 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 TMC).

(2) Capital Relationship

In light of this historical background, Toyota Industries and TMC have maintained a close capital relationship. As of March 31, 2020, Toyota Industries holds 8.48% (238,466 thousand shares) of TMC's total shares in issue. Likewise, as of the same date, TMC holds 24.69% 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 FY2020, our net sales to TMC on a stand-alone basis accounted for 11.2% 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	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Assets			
Current assets			
Cash and cash equivalents	5	239,140	358,144
Time deposits with deposit terms of over three months		223,219	175,216
Trade receivables and other receivables	6	845,255	867,088
Other financial assets	7	3,988	5,273
Inventories	8	245,182	255,738
Income tax receivables		13,713	13,756
Other current assets		53,282	64,664
Total current assets		1,623,784	1,739,883
Non-current assets			
Property, plant and equipment	9,30	938,030	991,195
Goodwill and intangible assets	10,30	361,078	354,701
Trade receivables and other receivables	6	5,803	4,123
Investments accounted for by the equity method	11	10,253	10,991
Other financial assets	7	2,258,788	2,120,298
Net defined benefit assets	17	28,603	22,547
Deferred tax assets	25	30,590	30,877
Other non-current assets		4,241	5,034
Total non-current assets		3,637,390	3,539,770
Total assets		5,261,174	5,279,653

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

(Millions of yen)

	Notes	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade payables and other payables	12	506,547	519,330
Corporate bonds and loans	13	342,232	329,143
Other financial liabilities	14	67,030	75,382
Accrued income taxes		15,993	20,435
Provisions	16	8,807	10,300
Other current liabilities		16,754	19,721
Total current liabilities		957,365	974,314
Non-current liabilities			
Corporate bonds and loans	13	955,183	1,010,627
Other financial liabilities	14	57,813	85,833
Net defined benefit liabilities	17	101,347	101,784
Provisions	16	7,525	7,764
Deferred tax liabilities	25	598,083	556,880
Other non-current liabilities		21,918	21,911
Total non-current liabilities		1,741,872	1,784,801
Total liabilities		2,699,237	2,759,115
Equity			
Share of equity attributable to owners of the parent			
Capital stock	18	80,462	80,462
Capital surplus	18	103,507	103,515
Retained earnings	18	1,178,773	1,267,521
Treasury stock	18	(59,297)	(59,307)
Other components of equity	18	1,176,272	1,046,614
Total share of equity attributable to owners of the parent		2,479,718	2,438,807
Non-controlling interests		82,218	81,730
Total equity		2,561,936	2,520,537
Total liabilities and equity		5,261,174	5,279,653

[Consolidated Statement of Profit or Loss]

(Millions of yen)

	Notes	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Net sales	20	2,214,946	2,171,355
Cost of sales	21, 22	(1,702,599)	(1,664,923)
Gross profit		512,346	506,432
Selling, general and administrative expenses	21, 22	(376,866)	(381,473)
Other income	23	11,389	18,890
Other expenses	23	(12,184)	(15,615)
Operating profit		134,684	128,233
Financial income	24	76,603	74,864
Financial expenses	24	(10,226)	(8,283)
Share of profit (loss) of investments accounted for by the equity method	11	1,163	1,472
Profit before income taxes		202,225	196,288
Income taxes	25	(42,447)	(46,101)
Profit		159,778	150,187
Profit attributable to:			
Owners of the parent		152,748	145,881
Non-controlling interests		7,029	4,305
Earnings per share	26		
Earnings per share—basic (yen)		491.97	469.85
Earnings per share—diluted (yen)		—	—

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

	Notes	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Profit		159,778	150,187
Other comprehensive income:			
Items not to be reclassified into profit or loss			
Net changes in revaluation of FVTOCI financial assets	27, 29	(159,407)	(96,064)
Remeasurements of defined benefit plans	17, 27	(9,440)	(7,576)
Other comprehensive income of affiliates accounted for by the equity method	11, 27	(6)	(11)
Total items not to be reclassified into profit or loss		(168,854)	(103,653)
Items that can be reclassified into profit or loss			
Translation adjustments of foreign operations	27	(6,921)	(37,056)
Cash flow hedges	27, 29	(621)	1,252
Other comprehensive income of affiliates accounted for by the equity method	11, 27	(171)	(256)
Total items that can be reclassified into profit or loss		(7,713)	(36,060)
Total other comprehensive income		(176,568)	(139,713)
Comprehensive income		(16,789)	10,474
Total comprehensive income attributable to:			
Owners of the parent		(23,702)	8,848
Non-controlling interests		6,912	1,626

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					
		Capital stock	Capital surplus	Retained earnings	Treasury stock	Other components of equity	
						Net changes in revaluation of FVTOCI financial assets	Remeasurements of defined benefit plans
Balance as of April 1, 2018		80,462	105,343	1,084,139	(59,284)	1,393,702	—
Effects of changes in accounting policies		—	—	3	—	—	—
Restated balance as of April 1, 2018		80,462	105,343	1,084,143	(59,284)	1,393,702	—
Profit		—	—	152,748	—	—	—
Other comprehensive income		—	—	—	—	(159,630)	(9,693)
Total comprehensive income		—	—	152,748	—	(159,630)	(9,693)
Repurchase of treasury stock	18	—	—	—	(12)	—	—
Disposal of treasury stock	18	—	0	—	0	—	—
Dividends	19	—	—	(48,125)	—	—	—
Changes in ownership interest of subsidiaries		—	(1,835)	—	—	—	—
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	—
Reclassified into retained earnings		—	—	(9,992)	—	298	9,693
Other increases (decreases)		—	—	—	—	—	—
Total transactions with owners		—	(1,835)	(58,117)	(12)	298	9,693
Balance as of March 31, 2019		80,462	103,507	1,178,773	(59,297)	1,234,370	—
Effects of changes in accounting policies		—	—	(80)	—	—	—
Restated balance as of April 1, 2019		80,462	103,507	1,178,693	(59,297)	1,234,370	—
Profit		—	—	145,881	—	—	—
Other comprehensive income		—	—	—	—	(95,896)	(7,630)
Total comprehensive income		—	—	145,881	—	(95,896)	(7,630)
Repurchase of treasury stock	18	—	—	—	(9)	—	—
Disposal of treasury stock	18	—	0	—	0	—	—
Dividends	19	—	—	(49,677)	—	—	—
Changes in ownership interest of subsidiaries		—	7	—	—	—	—
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	—
Reclassified into retained earnings		—	—	(7,376)	—	(254)	7,630
Other increases (decreases)		—	—	—	—	—	—
Total transactions with owners		—	7	(57,053)	(9)	(254)	7,630
Balance as of March 31, 2020		80,462	103,515	1,267,521	(59,307)	1,138,219	—

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 equity			Total		
		Translation adjustments of foreign operations	Cash flow hedges	Total			
Balance as of April 1, 2018		(52,397)	1,426	1,342,730	2,553,391	80,478	2,633,869
Effects of changes in accounting policies	18 18 19	—	—	—	3	—	3
Restated balance as of April 1, 2018		(52,397)	1,426	1,342,730	2,553,394	80,478	2,633,873
Profit		—	—	—	152,748	7,029	159,778
Other comprehensive income		(6,505)	(621)	(176,451)	(176,451)	(116)	(176,568)
Total comprehensive income		(6,505)	(621)	(176,451)	(23,702)	6,912	(16,789)
Repurchase of treasury stock		—	—	—	(12)	—	(12)
Disposal of treasury stock		—	—	—	0	—	0
Dividends		—	—	—	(48,125)	(2,353)	(50,478)
Changes in ownership interest of subsidiaries		—	—	—	(1,835)	(2,969)	(4,805)
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	100	100
Reclassified into retained earnings		—	—	9,992	—	—	—
Other increases (decreases)		—	—	—	—	49	49
Total transactions with owners		—	—	9,992	(49,973)	(5,172)	(55,146)
Balance as of March 31, 2019		(58,903)	804	1,176,272	2,479,718	82,218	2,561,936
Effects of changes in accounting policies	18 18 19	—	—	—	(80)	—	(80)
Restated balance as of April 1, 2019		(58,903)	804	1,176,272	2,479,638	82,218	2,561,856
Profit		—	—	—	145,881	4,305	150,187
Other comprehensive income		(34,758)	1,252	(137,033)	(137,033)	(2,679)	(139,713)
Total comprehensive income		(34,758)	1,252	(137,033)	8,848	1,626	10,474
Repurchase of treasury stock		—	—	—	(9)	—	(9)
Disposal of treasury stock		—	—	—	0	—	0
Dividends		—	—	—	(49,677)	(2,123)	(51,801)
Changes in ownership interest of subsidiaries		—	—	—	7	9	17
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	—
Reclassified into retained earnings		—	—	7,376	—	—	—
Other increases (decreases)		—	—	—	—	—	—
Total transactions with owners		—	—	7,376	(49,679)	(2,114)	(51,793)
Balance as of March 31, 2020		(93,662)	2,057	1,046,614	2,438,807	81,730	2,520,537

[Consolidated Statement of Cash Flows]

(Millions of yen)

	Notes	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Cash flows from operating activities:			
Profit before income taxes		202,225	196,288
Depreciation and amortization		185,952	208,312
Impairment losses		2,815	2,496
Interest and dividends income		(72,301)	(74,152)
Interest expenses		8,122	5,966
Share of (profit) loss of investments accounted for by the equity method		(1,163)	(1,472)
(Increase) decrease in inventories		(22,024)	(20,204)
(Increase) decrease in trade receivables and other receivables		(86,533)	(55,601)
Increase (decrease) in trade payables and other payables		42,548	24,185
Others		2,698	(1,806)
Subtotal		262,340	284,011
Interest and dividends income received		71,997	74,379
Interest expenses paid		(8,461)	(6,036)
Income taxes paid		(55,570)	(39,154)
Net cash provided by operating activities		270,306	313,199
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(225,621)	(216,002)
Proceeds from sales of property, plant and equipment		14,288	14,837
Payments for purchases of investment securities		(44,123)	(2,685)
Proceeds from sales of investment securities		757	2,129
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation		(7,502)	(1,280)
Payments for loans made		(2,053)	(844)
Proceeds from collection of loans		1,353	1,501
Payments for bank deposits		(447,937)	(547,601)
Proceeds from withdrawals of bank deposits		336,327	594,756
Payments for transfer of businesses		—	(5,903)
Others		(20,488)	(21,506)
Net cash used in investing activities		(395,000)	(182,598)

(Millions of yen)

	Notes	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Cash flows from financing activities:			
Payments for acquisition of subsidiaries' stock not resulting in change in scope of consolidation		(4,812)	(329)
Proceeds from sales of subsidiaries' stock not resulting in change in scope of consolidation		140	227
Net increase (decrease) in short-term loans payable (within three months)	31	(9,442)	3,359
Proceeds from short-term loans payable (over three months)	31	36,757	61,759
Repayments of short-term loans payable (over three months)	31	(29,634)	(24,620)
Proceeds from long-term loans payable	31	228,884	183,142
Repayments of long-term loans payable	31	(223,417)	(122,901)
Proceeds from issuance of corporate bonds	31	159,106	76,255
Repayments of corporate bonds	31	(75,949)	(93,896)
Payments for repurchase of treasury stock		(12)	(9)
Cash dividends paid	19	(48,125)	(49,677)
Cash dividends paid to non-controlling interests		(2,353)	(2,123)
Others		9,330	(38,280)
Net cash provided by (used in) financing activities		40,467	(7,094)
Translation adjustments of cash and cash equivalents		(464)	(4,502)
Net increase (decrease) in cash and cash equivalents		(84,690)	119,003
Cash and cash equivalents at beginning of period		323,830	239,140
Cash and cash equivalents at end of period	5	239,140	358,144

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

Notes to Consolidated Financial Statements

1. Reporting Entity

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.

The consolidated financial statements have been approved by Akira Onishi, president of the Company, on June 19, 2020.

(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.

10. Goodwill and Intangible Assets (impairment losses)

17. Employee Benefits (Actuarial assumptions)

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

None of the accounting standards and interpretations that have been newly issued or amended by the date of approval of the consolidated financial statements and that have not yet been adopted by the Company has a material impact on the financial statements.

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 fair 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 a result of 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 liabilities 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 each of Toyota Industries' entities 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. Right-of-use assets are depreciated on a systematic basis from the commencement date to the earlier of the end of the economic life of the underlying asset or the end 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 statement 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 statement 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

FY2019 (March 31, 2018 - March 31, 2019)

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 statement 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) Revenues"). 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.

FY2020 (March 31, 2019 - March 31, 2020)

(i) Leases as lessee

Lease liabilities are measured at the discounted present value of outstanding lease payments at the commencement date of the lease. After the commencement date of the lease, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities and reducing the carrying amount to reflect the lease payments made. The interest rate implicit in the lease (if that rate can be readily determined) or lessee's incremental borrowing rate is used for the discount rate.

Right-of-use assets are measured at cost that is the initial measurement amount of lease liability at the commencement date of the lease adjusted by the amount of any initial direct costs, prepaid lease payments and other expenses. After the commencement date of the lease, right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses as determined using the cost model. Right-of-use assets are depreciated on a systematic basis from the commencement date to the earlier of the end of the economic life of the underlying asset or the end of the lease term.

Lease payments for short-term leases or leases of low value assets are recognized as expense using the straight-line method over the lease term.

In reference to whether a contract is a lease or whether a contract contains a lease, Toyota Industries makes judgments based on the substance of the contract even though it is not legally considered as a lease.

(ii) Leases as lessor

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. For financial leases, an amount equal to the net investment in the lease by discounting the total amount of lease payments and unguaranteed residual value with the interest rate implicit in the lease is recorded as lease investment assets. 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) Revenues"). Financial income is allocated to each period over the lease term so that the interest rate will be proportional to an amount equal to the net investment in the lease. If Toyota Industries is not a manufacturer or distributor lessor in a lease, financial income is allocated to each period over the lease term so that the interest rate will be proportional to an amount equal to the net investment in the lease.

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. Past 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 has 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 statement 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, interest rate and currency swaps, and interest rate options.

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 and fair value hedges 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 statement 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) Revenues

Toyota Industries recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Toyota Industries sells automotive-related products such as vehicles, engines, car air-conditioning compressors, electronics parts and foundry in the Automobile Business; lift trucks, warehouse trucks and aerial work platforms in the Materials Handling Equipment Business; and weaving machinery, spinning machinery, instruments for yarn testing and cotton classing in the Textile Machinery Business. For sales of such products, since the customer obtains control over the product when a customer accepts goods after inspection, and therefore the performance obligation is judged to have been satisfied, Toyota Industries normally recognizes revenue when a customer accepts goods after inspection. Revenue is measured at the amount of consideration promised in a contract with the customer, net of discounts, incentives to distributors and other items.

For maintenance contracts and other services that include construction contracts such as automated storage and retrieval systems, and logistics solutions, Toyota Industries recognizes revenue based on the progress of performance obligation. The progress level is mainly computed according to the ratio of cumulative cost incurred against the total amount of estimated cost.

(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) Changes in Accounting Policies

Effective from FY2020, Toyota Industries adopted IFRS 16 "Leases" (issued in January 2016). In accordance with the transition provisions in IFRS 16, the Toyota Industries applied the method to retrospectively recognize the cumulative effect of adopting this standard on the initial date of application.

In accordance with the adoption of IFRS 16, lease liabilities are measured at the discounted present value of outstanding lease payments at the commencement date of the lease. After the commencement date of the lease, lease liabilities are measured by increasing the carrying amount to reflect interest on the lease liabilities and reducing the carrying amount to reflect the lease payments made.

Right-of-use assets are measured at cost that is the initial measurement amount of lease liability at the commencement date of the lease adjusted by the amount of any initial direct costs, prepaid lease payments and other expenses. After the commencement date of the lease, right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses as determined using the cost model. Right-of-use assets are depreciated on a systematic basis from the commencement date to the earlier of the end of the economic life of the underlying asset or the end of the lease term.

Right-of-use assets are included in "Property, plant and equipment" or "Goodwill and intangible assets". Lease liabilities are included in "Other financial liabilities (Current liabilities)" or "Other financial liabilities (Non-current liabilities)".

Lease payments for short-term leases or leases of low value assets are recognized as expense using the straight-line method over the lease term.

The practical expedient that grandfathers the assessment of whether a contract contains a lease under IAS 17 "Leases" (hereinafter referred to as "IAS 17") and IFRIC 4 "Determining whether an Arrangement Contains a Lease" has been adopted. From the date of initial application, an assessment has been made whether a contract contains a lease under the provisions of IFRS 16.

In transition to IFRS16, Toyota Industries recognized an increase of 49,106 million yen in Right-of-use assets, an increase of 48,090 million yen in Lease liabilities, and a decrease of 80 million yen in Retained earnings on the date of initial application. The weighted average lessee's incremental borrowing rate applied for lease liabilities recognized on the date of initial application is 1.5%.

The difference between the future minimum lease payments under non-cancellable operating leases disclosed under IAS 17 as of the end of the previous fiscal year and the lease liabilities at the date of initial application recognized in the consolidated statement of financial position is as follows.

(Millions of yen)

The future minimum lease payments under non-cancellable operating leases as of March 31, 2019	38,496
The future minimum lease payments under non-cancellable operating leases as of April 1, 2019 (Discounted)	36,606
Finance lease obligations as of March 31, 2019	84,737
Effect of review of lease term and others	11,484
Lease liabilities recognized in the consolidated statement of financial position as of April 1, 2019	132,828

The following practical expedients have been adopted as transitional measures for leases classified as operating leases under IAS 17:

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.
- Right-of-use assets are adjusted by the amount of any provision for onerous leases under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" at the date immediately before the date of initial application as an alternative to performing an impairment review.
- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application.
- Hindsight is used when determining the lease term if the contract contains options to extend or terminate the lease.

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, electronics parts, foundry and others
Materials Handling Equipment	Lift trucks, warehouse trucks, automated storage and retrieval systems, aerial work platforms, logistics solutions, sales financing business
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

FY2019 (April 1, 2018 - March 31, 2019)

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	610,721	1,466,658	76,333	61,233	2,214,946	—	2,214,946
Inter-segment transactions	30,775	2,111	231	26,862	59,980	(59,980)	—
Total	641,496	1,468,770	76,564	88,095	2,274,926	(59,980)	2,214,946
Segment profit	6,827	114,630	7,319	5,918	134,696	(11)	134,684
Segment assets	579,077	1,857,752	51,635	244,675	2,733,141	2,528,033	5,261,174
Financial income							76,603
Financial expenses							(10,226)
Share of profit (loss) of investments accounted for by the equity method							1,163
Profit before income taxes							202,225

- (Notes)
1. "Others" represents businesses not included in the reporting segments, and its primary service is the land transportation.
 2. Breakdown of adjustments
(11) 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 statement of profit or loss.

Other significant items

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note)	Total	Adjustments	Consolidated
Depreciation and amortization	63,409	115,512	3,773	3,257	185,952	—	185,952
Impairment losses (amount in parenthesis has been reversed)	—	2,780	35	—	2,815	—	2,815
Investments accounted for by the equity method	263	9,933	49	6	10,253	—	10,253
Increase in property, plant and equipment and intangible assets	71,188	176,013	1,629	3,654	252,485	—	252,485

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

FY2020 (April 1, 2019 - March 31, 2020)

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	613,886	1,436,396	61,756	59,316	2,171,355	—	2,171,355
Inter-segment transactions	25,636	2,142	202	28,798	56,781	(56,781)	—
Total	639,523	1,438,538	61,959	88,115	2,228,137	(56,781)	2,171,355
Segment profit	17,290	102,246	2,942	5,944	128,423	(189)	128,233
Segment assets	569,873	1,947,476	51,680	217,747	2,786,778	2,492,875	5,279,653
Financial income							74,864
Financial expenses							(8,283)
Share of profit (loss) of investments accounted for by the equity method							1,472
Profit before income taxes							196,288

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

2. Breakdown of adjustments

(189) 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 statement of profit or loss.

Other significant items

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note)	Total	Adjustments	Consolidated
Depreciation and amortization	68,977	131,858	3,957	3,519	208,312	—	208,312
Impairment losses (amount in parenthesis has been reversed)	209	2,286	—	—	2,496	—	2,496
Investments accounted for by the equity method	263	10,671	49	6	10,991	—	10,991
Increase in property, plant and equipment and intangible assets	73,477	194,932	2,768	3,718	274,897	—	274,897

(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)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Automobile	610,721	613,886
Vehicle	82,435	89,943
Engine	108,463	122,484
Car air-conditioning compressor	346,211	328,187
Electronics parts, foundry and others	73,610	73,270
Materials Handling Equipment	1,466,658	1,436,396
Textile Machinery	76,333	61,756
Others	61,233	59,316
Total	2,214,946	2,171,355

(3) Geographical information

Outside customer sales by geography consist of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Japan	587,860	622,015
U.S.A.	666,981	656,310
Others	960,104	893,030
Total	2,214,946	2,171,355

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

Non-current assets by geography consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Japan	464,698	503,167
U.S.A.	399,605	405,303
Netherlands	162,502	157,252
Others	276,257	284,920
Total	1,303,063	1,350,644

(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 345,614 million yen and 329,265 million yen for the fiscal years ended March 31, 2019 and 2020, 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 and its subsidiaries amounted to 242,502 million yen and 267,953 million yen for the fiscal years ended March 31, 2019 and 2020, respectively and were included in the outside customer sales of the Automobile, Materials Handling Equipment and Others segments.

5. Cash and Cash Equivalents

Cash and cash equivalents consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Cash and deposits	239,140	358,144
Short-term investments (securities) which have an original maturity within three months	—	—
Total	239,140	358,144

The balance of cash and cash equivalents on the consolidated statement of financial position as of the end of the fiscal years ended March 31, 2019 and 2020 are consistent with the balances of cash and cash equivalents on the consolidated statement of cash flows.

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

6. Trade Receivables and Other Receivables

Trade receivables and other receivables consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Trade notes and accounts receivable	360,976	354,322
Contract assets	25,075	26,866
Loans for sales financing	132,830	144,277
Other receivables	25,767	25,504
Lease investment assets	311,993	326,936
Others	25	26
Elimination: Allowance for doubtful accounts	(5,608)	(6,722)
Total	851,059	871,211

These receivables are mainly financial assets measured at amortized cost.

Amounts by collection or settlement period consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Due within 12 months	571,159	578,619
Due after 12 months	279,900	292,591
Total	851,059	871,211

7. Other Financial Assets

(1) Outline of other financial assets

Other financial assets consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Loans	2,823	2,151
Stock	2,237,001	2,098,460
Derivative assets	6,262	8,500
Others	16,690	16,459
Total	2,262,777	2,125,572

Current assets	3,988	5,273
Non-current assets	2,258,788	2,120,298
Total	2,262,777	2,125,572

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 derivative assets 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 included in stock or others, 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	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Toyota Motor Corporation	1,546,930	1,550,268
DENSO Corporation	299,482	242,180
Toyota Tsusho Corporation	141,911	100,223
Towa Real Estate Co., Ltd.	83,165	75,508
Aisin Seiki Co., Ltd.	81,913	55,174
Ibiden Co., Ltd.	10,466	14,754
Toyota Boshoku Corporation	12,993	9,983
JTEKT Corporation	10,641	5,742
TOYOTA-KAI Medical Corporation	4,445	4,445
Aichi Steel Corporation	4,673	4,278
Others	46,555	37,975
Total	2,243,177	2,100,535

(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, 2020, 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)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Fair value at the time of termination of recognition	908	2,124
Cumulative profit or (loss) related to disposal	(254)	350

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

8. Inventories

Inventories consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Merchandise and finished goods	121,958	120,232
Work in process	51,108	59,411
Raw materials and supplies	72,116	76,094
Total	245,182	255,738

Expenses reclassified from inventories amount to 1,702,599 million yen and 1,664,923 million yen for the fiscal years ended March 31, 2019 and 2020, respectively.

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

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Amount of write-down	3,985	3,037
Reversal amount of write-down	875	681

9. Property, Plant and Equipment

(1) Increase (decrease)

Acquisition cost

(Millions of yen)

	Other than leases as lessor					Leases as lessor	Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Machinery and vehicles	
Balance as of April 1, 2018	451,816	895,172	142,558	129,782	42,950	426,724	2,089,005
Acquisition	9,182	19,176	8,075	453	87,604	110,692	235,184
Disposal	(2,519)	(34,053)	(12,496)	(104)	(35)	(38,770)	(87,980)
Foreign currency translation difference	(256)	3,291	(189)	(224)	(196)	(349)	2,074
Others	8,987	66,513	6,709	5,554	(103,258)	(10,531)	(26,024)
Balance as of March 31, 2019	467,209	950,099	144,658	135,460	27,065	487,766	2,212,259
Effects of changes in accounting policies	35,972	7,372	403	4,056	—	1,301	49,106
Acquisition	17,943	38,360	9,983	2,738	69,868	113,723	252,618
Disposal	(4,691)	(39,525)	(9,471)	(4)	(531)	(44,595)	(98,820)
Foreign currency translation difference	(7,810)	(14,598)	(3,730)	(839)	(762)	(26,242)	(53,983)
Others	12,880	23,318	6,691	1,045	(58,219)	(21,572)	(35,855)
Balance as of March 31, 2020	521,504	965,028	148,533	142,458	37,420	510,380	2,325,324

(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)

	Other than leases as lessor					Leases as lessor	Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Machinery and vehicles	
Balance as of April 1, 2018	246,708	666,696	112,909	928	—	172,541	1,199,784
Depreciation	14,506	59,122	14,045	—	—	76,474	164,149
Disposal	(2,248)	(31,968)	(12,021)	—	—	(24,700)	(70,938)
Impairment losses (Reversal of impairment losses)	—	0	(0)	35	—	2,780	2,815
Foreign currency translation difference	(237)	2,150	(31)	—	—	(2,597)	(715)
Others	(429)	3,742	(2,358)	—	—	(21,822)	(20,867)
Balance as of March 31, 2019	258,300	699,745	112,544	963	—	202,675	1,274,228
Depreciation	23,382	65,617	14,743	269	—	80,802	184,816
Disposal	(3,288)	(37,087)	(8,967)	(3)	—	(27,048)	(76,395)
Impairment losses (Reversal of impairment losses)	6	43	154	5	—	2,276	2,486
Foreign currency translation difference	(3,187)	(9,704)	(2,833)	(0)	—	(13,690)	(29,416)
Others	3,823	(3,762)	34	96	—	(21,782)	(21,590)
Balance as of March 31, 2020	279,035	714,851	115,676	1,332	—	223,233	1,334,129

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

Carrying amount

(Millions of yen)

	Other than leases as lessor					Leases as lessor	Total
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Construction in progress	Machinery and vehicles	
Balance as of April 1, 2018	205,108	228,475	29,648	128,853	42,950	254,183	889,220
Balance as of March 31, 2019	208,909	250,354	32,113	134,497	27,065	285,090	938,030
Balance as of March 31, 2020	242,468	250,176	32,857	141,125	37,420	287,146	991,195

(2) Lease assets

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

(Millions of yen)

	FY2019 (As of March 31, 2019)
Buildings and structures	687
Machinery and vehicles	49,723
Tools, furniture and fixtures	318
Total	50,729

10. 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 as of April 1, 2018	160,153	180,889	23,576	62,464	6,894	433,978
Acquisition	—	—	—	3,973	1,382	5,355
Increase through in-house development	—	—	6,370	5,574	—	11,944
Disposal	—	—	(542)	(461)	(97)	(1,101)
Foreign currency translation difference	(145)	(2,037)	(100)	(270)	278	(2,275)
Others	3,708	—	(0)	2,719	2,130	8,558
Balance as of March 31, 2019	163,716	178,851	29,304	73,998	10,588	456,459
Acquisition	—	—	—	6,601	2,300	8,901
Increase through in-house development	—	—	6,996	6,380	—	13,376
Disposal	—	—	(176)	(1,103)	(763)	(2,043)
Foreign currency translation difference	(4,753)	(4,373)	(611)	(1,572)	(848)	(12,159)
Others	2,711	—	—	(499)	1,636	3,848
Balance as of March 31, 2020	161,674	174,478	35,512	83,804	12,913	468,384

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Intangible assets recognized through business combination	Development assets	Software	Others	Total
Balance as of April 1, 2018	—	24,364	10,688	35,349	1,778	72,180
Amortization	—	8,924	2,720	8,409	1,747	21,802
Disposal	—	—	(542)	(361)	(82)	(986)
Impairment losses (Reversal of impairment losses)	—	—	—	—	—	—
Foreign currency translation difference	—	109	42	(211)	87	27
Others	—	—	0	2,373	(15)	2,357
Balance as of March 31, 2019	—	33,397	12,908	45,559	3,515	95,381
Amortization	—	8,553	2,994	9,137	2,810	23,496
Disposal	—	—	(167)	(796)	(587)	(1,551)
Impairment losses (Reversal of impairment losses)	—	—	9	—	—	9
Foreign currency translation difference	—	(438)	(193)	(945)	(624)	(2,201)
Others	—	—	—	(141)	(1,310)	(1,452)
Balance as of March 31, 2020	—	41,512	15,552	52,812	3,804	113,682

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

Carrying amount

(Millions of yen)

	Goodwill	Intangible assets recognized through business combination	Development assets	Software	Others	Total
Balance as of April 1, 2018	160,153	156,525	12,888	27,114	5,115	361,797
Balance as of March 31, 2019	163,716	145,454	16,395	28,439	7,072	361,078
Balance as of March 31, 2020	161,674	132,965	19,960	30,991	9,109	354,701

(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)

	FY2019 (As of March 31, 2019)
Software	19

(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 3%). The discount rate is calculated based on the weighted-average capital cost before tax of cash-generating units (about 6 to 11%).

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 end of the fiscal years ended March 31, 2019 and 2020, 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); goodwill recognized in conjunction with the acquisition of the Vanderlande Group; goodwill recognized in conjunction with the acquisition of the Bastian Group; 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 the Materials Handling Equipment Business from this fiscal year with change in organization and amounts to 27,094 million yen and 26,567 million yen as of the end of the fiscal years ended March 31, 2019 and 2020, respectively. Goodwill recognized in conjunction with the business transfer of TICF is allocated to the Materials Handling Equipment Business in North America which is functioning as the cash-generating unit and amounts to 26,033 million yen and 25,527 million yen as of the end of the fiscal years ended March 31, 2019 and 2020, respectively. Goodwill recognized in conjunction with the acquisition of the Vanderlande Group is allocated to the Material Handling Equipment Business which is functioning as the cash-generating unit and amounts to 61,833 million yen and 59,357 million yen as of the end of the fiscal years ended March 31, 2019 and 2020, respectively. Goodwill recognized in conjunction with the acquisition of the Bastian Group is allocated to the Material Handling Equipment Business which is functioning as the cash-generating unit and amounts to 14,824 million yen and 14,536 million yen as of the end of the fiscal years ended March 31, 2019 and 2020, respectively. Goodwill recognized in conjunction with the acquisition of the Uster Technologies AG Group is allocated to Uster Technologies AG group and amounts to 15,964 million yen and 16,192 million yen as of the end of the fiscal years ended March 31, 2019 and 2020, respectively.

11. Investments Accounted for by the Equity Method

There are no affiliates of individual significance in the fiscal years ended March 31, 2019 and 2020. The carrying amounts of investments in affiliates consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Total carrying amount	10,253	10,991

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

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Amount of equity in profit	1,163	1,472
Amount of equity in other comprehensive income	(177)	(267)
Amount of equity in comprehensive income	985	1,205

12. Trade Payables and Other Payables

Trade payables and other payables consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Trade notes and accounts payable	268,142	263,844
Accounts payable—other	38,043	37,118
Contract liabilities	55,365	82,247
Others	144,995	136,119
Total	506,547	519,330

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)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Due within 12 months	506,545	519,330
Due after 12 months	1	0
Total	506,547	519,330

13. Corporate Bonds and Loans

Corporate bonds and loans consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)	Average interest rate (%)	Repayment due
Short-term loans	29,446	67,388	1.28	—
Commercial paper	100,236	80,671	—	—
Long-term loans repaid within one year	117,836	97,371	1.76	—
Corporate bonds redeemed within one year	94,713	83,711	—	—
Long-term loans	413,382	485,256	1.02	April 2021 - August 2039
Corporate bonds	541,801	525,370	—	—
Total	1,297,415	1,339,770	—	—

(Note) The average interest rate reflects the weighted-average interest rate against the balance at the end of the fiscal year ended March 31, 2020. 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	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)	Interest rate (%)	Collateral	Issuance date	Maturity date
The Company	19th issuance of corporate bonds without collateral	29,973	29,984	1.109	None	September 13, 2011	September 17, 2021
The Company	22nd issuance of corporate bonds without collateral	9,986	9,990	0.821	None	November 30, 2012	September 20, 2022
The Company	23rd issuance of corporate bonds without collateral	9,993	9,997 (9,997)	0.554	None	September 5, 2013	September 18, 2020
The Company	24th issuance of corporate bonds without collateral	9,985	9,988	0.797	None	September 5, 2013	June 20, 2023
The Company	25th issuance of corporate bonds without collateral	9,997	—	—	—	—	—
The Company	26th issuance of corporate bonds without collateral	9,989	9,993	0.361	None	September 19, 2014	September 17, 2021
The Company	27th issuance of corporate bonds without collateral	9,993	9,998 (9,998)	0.207	None	May 29, 2015	June 19, 2020
The Company	28th issuance of corporate bonds without collateral	9,986	9,990	0.318	None	May 29, 2015	June 20, 2022
The Company	Medium-term notes	4,989 [USD44 million]	4,896 (4,896) [USD44 million]	1.562	None	June 18, 2015	June 19, 2020
The Company	29th issuance of corporate bonds without collateral	19,951	19,958	0.080	None	July 15, 2016	June 19, 2026
The Company	30th issuance of corporate bonds without collateral	49,970	—	—	—	—	—
The Company	31st issuance of corporate bonds without collateral	19,985	19,997 (19,997)	0.001	None	April 27, 2017	June 19, 2020
The Company	32nd issuance of corporate bonds without collateral	19,970	19,979	0.050	None	April 27, 2017	June 20, 2022
The Company	33rd issuance of corporate bonds without collateral	9,978	9,982	0.150	None	April 27, 2017	June 20, 2024

(Millions of yen)

Company name	Name	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)	Interest rate (%)	Collateral	Issuance date	Maturity date
The Company	1st issuance of U.S. dollar-denominated senior unsecured notes	55,224 [USD497 million]	54,212 [USD498 million]	3.235	None	March 16, 2018	March 16, 2023
The Company	2nd issuance of U.S. dollar-denominated senior unsecured notes	55,141 [USD496 million]	54,100 [USD497 million]	3.566	None	March 16, 2018	March 16, 2028
The Company	34th issuance of corporate bonds without collateral	29,961	29,978	0.001	None	July 20, 2018	June 18, 2021
The Company	35th issuance of corporate bonds without collateral	9,976	9,981	0.080	None	November 28, 2018	September 20, 2023
The Company	3rd issuance of U.S. dollar-denominated senior unsecured notes	66,197 [USD596 million]	65,033 [USD597 million]	3.110	None	March 12, 2019	March 12, 2022
Toyota Industries Finance International AB	Medium-term notes	89,346 [EUR720 million]	90,788 [EUR760 million] (14,334)	0.000 — 0.725	None	September 22, 2017 — February 14, 2020	November 13, 2020 — November 15, 2024
Toyota Industries Finance International AB	Medium-term notes	8,358 [SEK700 million]	7,567 [SEK700 million]	0.000 — 1.400	None	November 15, 2017	November 15, 2022 — November 15, 2024
Toyota Industries Finance International AB	Medium-term notes	—	5,985 [USD55 million]	1.967	None	September 27, 2019	September 27, 2024
Toyota Industries Commercial Finance, Inc.	Medium-term notes	97,557 [USD878 million]	126,676 [USD1,163 million] (24,486)	1.368 — 3.649	None	January 31, 2017 — February 12, 2020	June 19, 2020 — August 29, 2025
Total	—	636,514	609,081 (83,711)	—	—	—	—

(Notes) 1. The figure in parentheses in the "FY2020" is the amount to be redeemed within one year.

(Notes) 2. "Interest rate" indicates the interest rate against the balance at the end of the fiscal year ended March 31, 2020.

(Notes) 3. "Collateral" indicates any collateral associated with the balance at the end of the fiscal year ended March 31, 2020.

(Notes) 4. "Issuance date" indicates the issuance date associated with the balance at the end of the fiscal year ended March 31, 2020.

(Notes) 5. "Maturity date" indicates the maturity date associated with the balance at the end of the fiscal year ended March 31, 2020.

14. Other Financial Liabilities

Other financial liabilities consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Lease liabilities	84,737	120,117
Derivative liabilities	6,868	7,651
Deposits payable	33,237	33,446
Total	124,843	161,215

Current liabilities	67,030	75,382
Non-current liabilities	57,813	85,833
Total	124,843	161,215

Deposits payable is 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).

15. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Investment securities	112,288	95,824
Trade receivables and other receivables	—	41,156
Inventories	1,198	1,301
Property, plant and equipment	390	330
Total	113,876	138,612

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)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Short-term loans	1,222	1,311
Long-term loans	20	32,658
Others	30,932	31,155
Total	32,175	65,125

16. 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, 2019 and 2020 consist of the following.

(Millions of yen)

	Warranty provision	Asset retirement obligation	Others	Total
Balance as of April 1, 2018	8,704	2,019	5,491	16,215
Increase due to provisions	6,959	146	2,177	9,283
Decrease due to intended use	(5,688)	(168)	(2,126)	(7,983)
Decrease due to reversal	(38)	(41)	(256)	(337)
Interest expenses based on discount calculation, foreign currency translation difference and others	(863)	35	(15)	(844)
Balance as of March 31, 2019	9,072	1,990	5,269	16,333
Increase due to provisions	10,389	48	2,282	12,720
Decrease due to intended use	(8,709)	(138)	(1,541)	(10,389)
Decrease due to reversal	(122)	—	(215)	(338)
Interest expenses based on discount calculation, foreign currency translation difference and others	(19)	66	(309)	(261)
Balance as of March 31, 2020	10,611	1,968	5,485	18,065

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.

17. 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 determined based on points earned by employees based on factors such as the number of years of service and grades, 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.

(2) Defined benefit plans

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

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Retirement benefit obligations	276,143	279,648
Fair value of plan assets	204,107	201,498
Difference	72,035	78,150
Effect of asset ceiling	708	1,086
Net defined benefit assets	28,603	22,547
Net defined benefit liabilities	101,347	101,784

(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	
	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Balance at beginning of period	162,745	169,997	96,320	106,145
Service cost	8,824	9,152	2,592	2,652
Interest cost	1,051	936	2,714	2,525
Remeasurements				
Actuarial gains (losses) arising from changes in demographic assumptions	139	250	(226)	(687)
Actuarial gains (losses) arising from changes in financial assumptions	1,743	(1,797)	5,968	3,778
Difference arising from revised results	281	(531)	2,309	1,093
Prior service cost	—	—	145	—
Retirement benefits paid	(4,846)	(5,156)	(2,675)	(3,115)
Effect of foreign currency translation	—	—	(1,558)	(5,900)
Others	57	(52)	555	358
Balance at end of period	169,997	172,798	106,145	106,849

The weighted-average duration associated with Toyota Industries' defined benefit obligation is 15.3 years in Japan and 18.4 years outside Japan for the fiscal year ended March 31, 2019 and 14.8 years in Japan and 19.4 years outside Japan for the fiscal year ended March 31, 2020.

(ii) Fluctuations of fair value of plan assets

(Millions of yen)

	Japan		Outside Japan	
	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Balance at beginning of period	150,257	144,709	56,566	59,397
Interest income	1,010	792	1,544	1,408
Revenue associated with plan assets (excluding interest income above)	(9,095)	(8,793)	2,108	(291)
Employer contributions	5,491	5,500	1,840	5,794
Return to employer	—	—	—	—
Benefit payment	(2,892)	(2,858)	(2,117)	(2,242)
Exchange impact	—	—	(703)	(4,150)
Others	(61)	2,027	158	203
Balance at end of period	144,709	141,378	59,397	60,120

The projected amount of contributions to plan assets in the fiscal year ending March 31, 2021 is 7,444 million yen.

(iii) Classes of plan asset

The classes of plan assets for the fiscal year ended March 31, 2019 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	194	—	194	17,131	—	17,131
Jointly managed trust	—	30,666	30,666	—	6,517	6,517
Debt securities						
Bonds	—	246	246	—	9,016	9,016
Jointly managed trust	—	46,548	46,548	—	12,512	12,512
Stock included in retirement benefits trust	29,346	—	29,346	—	—	—
Other assets						
Life insurance general account	—	19,853	19,853	—	1,674	1,674
Others	7,262	10,592	17,854	10,638	1,907	12,546
Total plan assets	36,803	107,906	144,709	27,769	31,627	59,397

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

The classes of plan assets for the fiscal year ended March 31, 2020 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	187	—	187	9,705	—	9,705
Jointly managed trust	—	28,938	28,938	—	7,238	7,238
Debt securities						
Bonds	—	289	289	—	12,325	12,325
Jointly managed trust	—	46,836	46,836	—	10,592	10,592
Stock included in retirement benefits trust	23,731	—	23,731	—	—	—
Other assets						
Life insurance general account	—	22,345	22,345	—	1,636	1,636
Others	7,053	11,994	19,047	16,986	1,634	18,620
Total plan assets	30,973	110,404	141,378	26,692	33,427	60,120

(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	
	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Discount rate	0.59%	0.65%	2.69%	2.33%

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, 2019 and 2020 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)

			FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Discount rate	Japan	0.5% increase	(10,017)	(9,932)
		0.5% decrease	11,152	11,272
	Outside Japan	0.5% increase	(7,908)	(7,816)
		0.5% decrease	8,758	8,673

(3) Defined contribution pension plan

The amount of contributions paid for the defined contribution pension plan for the fiscal years ended March 31, 2019 and 2020 were 7,318 million yen and 7,934 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 corporate pension funds 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.

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

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Contributions	58	58

The projected contribution in the fiscal year ending March 31, 2021 is 58 million yen.

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

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Plan assets	33,776	35,155
Actuarial liability based on pension plan finance calculation and minimum actuarial reserve	47,022	47,264
Funded/(Unfunded) amount	(13,246)	(12,108)

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

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Rate of contribution	5.96%	5.85%

18. 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, 2019 and 2020 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)
Beginning of FY2019 (as of April 1, 2018)	325,840,640	80,462	105,343
Increase (decrease) during period	—	—	(1,835)
FY2019 (as of March 31, 2019)	325,840,640	80,462	103,507
Increase (decrease) during period	—	—	7
FY2020 (as of March 31, 2020)	325,840,640	80,462	103,515

(Note) 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)
Beginning of FY2019 (as of April 1, 2018)	15,353,378	59,284
Increase (decrease) during period	2,090	12
FY2019 (as of March 31, 2019)	15,355,468	59,297
Increase (decrease) during period	1,560	9
FY2020 (as of March 31, 2020)	15,357,028	59,307

(4) Other components of 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.

19. Cash Dividends

(1) Dividends paid

FY2019 (April 1, 2018 - March 31, 2019)

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 12, 2018	Common stock	24,838	80	March 31, 2018	June 13, 2018
Board of Directors meeting held on October 31, 2018	Common stock	24,838	75	September 30, 2018	November 26, 2018

FY2020 (April 1, 2019 - March 31, 2020)

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, 2019	Common stock	24,838	80	March 31, 2019	June 12, 2019
Board of Directors meeting held on October 31, 2019	Common stock	24,838	80	September 30, 2019	November 26, 2019

(2) Dividends with a record date in the fiscal year ended March 31, 2020 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
Board of Directors meeting held on April 30, 2020	Common stock	Retained earnings	24,838	80	March 31, 2020	May 25, 2020

20. Revenues

(1) Disaggregation of revenues

As specified in Note 4 "Segment Information," the reporting segments of the Toyota Industries consist of Automobile, Materials Handling Equipment and Textile Machinery. Within the Automobile Segment, vehicles, engines, car air-conditioning compressors and others are included due to the similarity of their trend of sales and other economic characteristics. In addition, sales are geographically broken down according to the location of customers. The disaggregation of sales of these sub-segments as well as sales of each reporting segment are as follows.

FY2019 (April 1, 2018 - March 31, 2019)

(Millions of yen)

		Japan	U.S.A.	Others	Total
Automobile	Vehicle	82,435	—	—	82,435
	Engine	70,305	91	38,065	108,463
	Car Air-Conditioning Compressor	75,865	118,499	151,846	346,211
	Electronics Parts, Foundry and Others	57,708	4,871	11,030	73,610
Materials Handling Equipment		239,216	539,034	688,407	1,466,658
Textile Machinery		1,670	4,483	70,178	76,333
Others		60,657	—	575	61,233
Total		587,860	666,981	960,104	2,214,946
Revenues from contracts with customers		587,090	611,191	914,203	2,112,485
Revenues from other sources (Note)		770	55,789	45,901	102,461

(Note) Revenues from other sources includes lease income based on IAS 17. Revenues from other sources is mainly included in the Materials Handling Equipment Segment.

FY2020 (April 1, 2019 - March 31, 2020)

(Millions of yen)

		Japan	U.S.A.	Others	Total
Automobile	Vehicle	89,943	—	—	89,943
	Engine	101,535	44	20,905	122,484
	Car Air-Conditioning Compressor	89,520	104,151	134,516	328,187
	Electronics Parts, Foundry and Others	44,618	5,462	23,189	73,270
Materials Handling Equipment		236,675	543,941	655,779	1,436,396
Textile Machinery		1,213	2,710	57,832	61,756
Others		58,509	0	807	59,316
Total		622,015	656,310	893,030	2,171,355
Revenues from contracts with customers		621,583	593,818	827,966	2,043,368
Revenues from other sources (Note)		432	62,492	65,063	127,987

(Note) Revenues from other sources includes lease income based on IFRS 16. Revenues from other sources is mainly included in the Materials Handling Equipment Segment.

The Automobile Segment sells automotive-related products such as vehicles, engines, car air-conditioning compressors, electronics parts and foundry. Its primary customers include automotive-related manufacturers in and outside Japan.

The Materials Handling Equipment Segment sells and provides maintenance for lift trucks, warehouse trucks, aerial work platforms and other products as well as provides services including the construction of automated storage and retrieval systems, and logistics solutions. Its primary customers include users and dealers in and outside Japan.

The Textile Machinery Segment sells weaving machinery, spinning machinery, instruments for yarn testing and cotton classing, and other products. Its primary customers include dealers in and outside Japan.

Sales derived from the sale of these products accounted for in accordance with Note 3 "Significant Accounting Policies."

(2) Contract balances

Receivables from contracts with customers, contract assets and contract liabilities consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Receivables from contracts with customers	668,004	675,118
Contract assets	25,075	26,866
Contract liabilities	55,365	82,247

Receivables from contracts with customers and Contract assets are included in "Trade receivables and other receivables" and Contract liabilities are included in "Trade payables and other payables" in the consolidated statement of financial position.

Revenue recognized in the years ended March 31, 2019 and 2020, which was included in the balance at beginning of period of contract liabilities, amounted to 50,972 million yen and 53,377 million yen, respectively. During the fiscal year ended March 31, 2020, the profit amount recognized from performance obligations satisfied (or partially satisfied) in previous fiscal years was immaterial.

(3) Transaction price allocated to remaining performance obligations

Unsatisfied obligations of contracts whose original service period is over one year as of end of reporting period are as follows.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Provision of services	381,042	403,045

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)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Purchase of raw materials and goods	974,996	924,335
Employee benefit expenses	572,789	586,388
Depreciation and amortization	184,956	207,602

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)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Research and development expenses	73,191	74,597

23. Other Earnings and Expenses

Other earnings consist of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Rental fees for fixed assets	855	875
Gain on sales of fixed assets	1,285	487
Others	9,247	17,527
Total	11,389	18,890

Other expenses consist of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Loss on disposal of fixed assets	1,881	2,514
Loss on sales of fixed assets	547	330
Depreciation and amortization	996	709
Others	8,759	12,060
Total	12,184	15,615

24. Financial Income and Financial Expenses

Financial income consists of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Interest income		
Financial assets measured at amortized cost	2,172	1,851
Financial assets measured at fair value through profit or loss	37	81
Others	3	6
Dividends income		
Financial assets measured at fair value through other comprehensive income	70,088	72,212
Gains on foreign currency translation	3,362	—
Others	939	712
Total	76,603	74,864

Financial expenses consist of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Interest expenses		
Financial liabilities measured at amortized cost	6,804	4,680
Financial liabilities measured at fair value through profit or loss	478	433
Others	838	851
Losses on foreign currency translation	—	211
Others	2,104	2,105
Total	10,226	8,283

25. Income Taxes

(1) Income tax expenses

Income tax expenses consist of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Current tax expenses	41,017	43,546
Deferred tax expenses	1,429	2,554
Total	42,447	46,101

(Note) Deferred tax expenses is due primarily to taxable temporary differences that arose and reversed for the fiscal year ended March 31, 2019, and the fiscal year ended March 31, 2020.

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

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Statutory effective tax rate	30.9%	30.9%
Dividends income and others permanently not recognized as taxable income	(4.3)	(5.0)
Effect of reassessment on recoverability of deferred tax assets	(1.9)	1.0
Share of profit of investments accounted for by the equity method	(0.2)	(0.2)
Others	(3.5)	(3.2)
Actual tax rate	21.0	23.5

(Note) Toyota Industries has mainly had to pay income, inhabitants and enterprise taxes, and the statutory effective tax rate calculated based on these taxes was 30.9% for the fiscal years ended March 31, 2019 and 2020. Subsidiaries outside Japan, however, pay income and other taxes depending on their locations.

(2) Deferred tax assets and deferred tax liabilities

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

FY2019 (April 1, 2018 - March 31, 2019)

(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	23,716	9,695	2,855	36,267
Allowance for compensated absences	7,576	698	—	8,275
Allowance for bonuses	7,626	126	—	7,752
Net operating loss carry-forwards for tax purposes	10,037	(4,327)	—	5,709
Accrued expenses	5,975	(48)	—	5,926
Inventories	3,000	(185)	—	2,814
Others	30,090	4,335	135	34,561
Total deferred tax assets	88,023	10,293	2,991	101,308
Deferred tax liabilities				
Financial assets at fair value through other comprehensive income	622,877	—	(69,124)	553,752
Depreciation	47,841	3,162	—	51,004
Others	55,629	8,848	(434)	64,044
Total deferred tax liabilities	726,348	12,011	(69,558)	668,801
Net amount	(638,325)	(1,718)	72,550	(567,493)

FY2020 (April 1, 2019 - March 31, 2020)

(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	36,267	(7,579)	1,742	30,429
Allowance for compensated absences	8,275	119	—	8,395
Allowance for bonuses	7,752	(263)	—	7,489
Net operating loss carry-forwards for tax purposes	5,709	4,692	—	10,402
Accrued expenses	5,926	918	—	6,845
Inventories	2,814	700	—	3,514
Others	34,561	2,257	(783)	36,035
Total deferred tax assets	101,308	845	958	103,113
Deferred tax liabilities				
Financial assets at fair value through other comprehensive income	553,752	—	(42,950)	510,802
Depreciation	51,004	13,248	—	64,252
Others	64,044	(7,733)	(2,249)	54,061
Total deferred tax liabilities	668,801	5,514	(45,199)	629,116
Net amount	(567,493)	(4,668)	46,158	(526,002)

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

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Deferred tax assets	30,590	30,877
Deferred tax liabilities	598,083	556,880
Net amount	(567,493)	(526,002)

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

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Net operating loss carry-forwards for tax purposes	7,954	8,370
Unused tax credits	873	728
Deductible temporary differences	1,229	2,027
Total	10,057	11,125

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)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
First year	108	29
Second year	1	—
Third year	68	587
Fourth year	592	—
Beyond fifth year	7,182	7,753
Total	7,954	8,370

The total amount of taxable temporary differences associated with investments in subsidiaries not recognized as deferred tax liabilities as of the end of the fiscal year ended March 31, 2019, and the end of the fiscal year ended March 31, 2020, was 436,828 million yen and 452,177 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)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Profit attributable to owners of common stock of the parent	152,748	145,881

(ii) Weighted-average number of common stock

(Thousands)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Weighted-average number of common stock	310,486	310,484

(2) Basis of calculation for diluted earnings per share

Diluted earnings per share are omitted because there are no dilutive shares.

27. Other Comprehensive Income

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Net changes in revaluation of FVTOCI financial assets		
Amount arising during the period	(228,532)	(139,015)
Before tax effect adjustment	(228,532)	(139,015)
Tax effect	69,124	42,950
Net changes in revaluation of FVTOCI financial assets	(159,407)	(96,064)
Remeasurements of defined benefit plans		
Amount arising during the period	(12,729)	(11,568)
Before tax effect adjustment	(12,729)	(11,568)
Tax effect	3,289	3,991
Remeasurements of defined benefit plans	(9,440)	(7,576)
Translation adjustments of foreign operations		
Amount arising during the period	(6,921)	(37,056)
Recycling	—	—
Translation adjustments of foreign operations	(6,921)	(37,056)
Cash flow hedges		
Amount arising during the period	3	697
Recycling	(760)	1,338
Before tax effect adjustment	(757)	2,035
Tax effect	135	(783)
Cash flow hedges	(621)	1,252
Share of other comprehensive income of affiliates accounted for by equity method		
Amount arising during the period	(177)	(267)
Recycling	—	—
Share of other comprehensive income of affiliates accounted for by equity method	(177)	(267)
Total other comprehensive income	(176,568)	(139,713)

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)

	FY2019 (April 1, 2018 - March 31, 2019)
Acquisition of assets through finance leases	18,262

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, 2020.

(2) Matters concerning risk management

(i) Risk management policy

Toyota Industries is exposed to financial risks related to its marketing activities (credit risk, liquidity risk, market 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, ratings and others, 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 other factors.

(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 other factors. 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 accounts receivable and lease investment assets for which simplified approaches are applied consist of the following.

FY2019 (As of March 31, 2019)

(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%	0.5%	5.9%	32.1%	—
Accounts receivable and lease investment assets	669,511	33,726	12,106	8,468	723,812
Lifetime expected credit losses	1,360	177	708	2,719	4,965

FY2020 (As of March 31, 2020)

(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%	0.7%	5.6%	34.2%	—
Accounts receivable and lease investment assets	683,652	26,697	12,766	10,513	733,630
Lifetime expected credit losses	1,636	183	715	3,593	6,129

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.

(Millions of yen)

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit impaired financial assets	Total
FY2019 (As of March 31, 2019)	132,559	—	270	132,830
FY2020 (As of March 31, 2020)	144,277	—	—	144,277

Changes in expected credit loss consist of the following.

FY2019 (As of March 31, 2019)

(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	4,520	323	22	280
New financial assets composed or purchased	2,638	183	—	—
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	(2,128)	(164)	(11)	(155)
Others	(64)	12	10	141
Balance at end of period	4,965	354	22	266

FY2020 (As of March 31, 2020)

(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 as of beginning of period	4,965	354	22	266
New financial assets composed or purchased	3,390	111	—	—
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	(1,971)	(112)	(10)	(204)
Others	(244)	(7)	11	150
Balance as of end of period	6,140	346	23	211

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.

Financial liabilities by remaining contract maturities consist of the following.

FY2019 (As of March 31, 2019)

(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	281,055	1,433	—	—	—	—	282,488
Corporate bonds and loans	352,367	182,323	269,276	220,626	112,859	214,046	1,351,500
Lease obligations	34,127	22,259	15,414	8,402	4,726	2,385	87,315
Deposits payable	33,237	—	—	—	—	—	33,237
Derivative financial liabilities							
Derivative liabilities	5,923	895	42	8	—	—	6,868

FY2020 (As of March 31, 2020)

(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	279,147	168	—	—	—	—	279,316
Corporate bonds and loans	353,960	297,600	262,132	112,054	117,980	237,021	1,380,749
Lease liabilities	42,301	28,975	19,237	13,872	8,904	11,220	124,511
Deposits payable	33,446	—	—	—	—	—	33,446
Derivative financial liabilities							
Derivative liabilities	7,334	231	30	30	18	6	7,651

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.

Exposure to foreign currency risk consists of the following.

	FY2019 (As of March 31, 2019)		FY2020 (As of March 31, 2020)	
	Thousands of U.S. dollars	Thousands of euros	Thousands of U.S. dollars	Thousands of euros
Net exposure	52,858	206,531	47,292	198,525

(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)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
U.S. dollar	58	51
Euro	257	237

(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, in principle, Toyota Industries hedges such risks by interest rate swaps, interest rate options 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 exposure to interest rate risk is 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 fiscal years ended March 31, 2019 and 2020, decreases in other comprehensive income (before adjusting tax effect) would have been 21,339 million yen and 20,029 million yen, respectively.

Moreover, because the shares held by Toyota Industries are designated as financial assets at FVTOCI, 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.

(Level 1)

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

(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.

(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.

When using multiple inputs to measure fair value, the fair value level is determined based on the significant input from the lowest level in the fair value hierarchy. 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 consist of the following.

FY2019 (As of March 31, 2019)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Loans receivable and Loans receivables related to the sales financing business (Note)	135,653	—	—	133,125	133,125
Lease investment assets	311,993	—	—	308,713	308,713
Financial liabilities					
Corporate bonds (Note)	636,514	—	640,704	—	640,704
Long-term loans (Note)	531,218	—	533,924	—	533,924
Lease obligations	84,737	—	—	84,674	84,674

(Note) Loans receivable, 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.

FY2020 (As of March 31, 2020)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Loans receivable and Loans receivable related to the sales financing business (Note)	146,429	—	—	145,592	145,592
Lease investment assets	326,936	—	—	327,625	327,625
Financial liabilities					
Corporate bonds (Note)	609,081	—	624,762	—	624,762
Long-term loans (Note)	582,628	—	584,553	—	584,553

(Note) Loans receivable, 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 short-term financial liabilities that are measured at amortized cost 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.

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 for the fiscal year ended March 31, 2019 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 consist 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.

FY2019 (As of March 31, 2019)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative assets	—	6,262	—	6,262
Others	1,784	—	—	1,784
Financial assets measured at fair value through other comprehensive income	2,134,291	855	108,030	2,243,177
Total	2,136,076	7,117	108,030	2,251,224
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	6,868	—	6,868
Total	—	6,868	—	6,868

FY2020 (As of March 31, 2020)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative assets	—	8,500	—	8,500
Others	1,897	—	3,953	5,850
Financial assets measured at fair value through other comprehensive income	2,003,292	871	96,371	2,100,535
Total	2,005,189	9,372	100,325	2,114,887
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	7,651	—	7,651
Total	—	7,651	—	7,651

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

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, interest rate and currency swaps and interest rate options are calculated by financial institutions based on observable market data.

Toyota Industries uses the modified book value 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. 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 consist of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Balance at beginning of period	102,466	108,030
Gains and losses included in other comprehensive (Note)	3,708	(7,919)
Purchase	1,905	2,151
Sales	(6)	(1,697)
Others	(42)	(240)
Balance at end of period	108,030	100,325

(Note) 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.

FY2019 (As of March 31, 2019)

(Millions of yen)

	Total financial assets	Total offset	Financial assets on the consolidated statement 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	146,143	104,481	41,662	—	—	41,662
Derivative assets	2,142	—	2,142	988	—	1,153
Total	148,286	104,481	43,804	988	—	42,816

(Millions of yen)

	Total financial liabilities	Total offset	Financial liabilities on the consolidated statement 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	195,308	104,481	90,826	—	—	90,826
Derivative liabilities	6,147	—	6,147	988	—	5,159
Total	201,455	104,481	96,974	988	—	95,985

FY2020 (As of March 31, 2020)

(Millions of yen)

	Total financial assets	Total offset	Financial assets on the consolidated statement 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	132,639	98,644	33,995	—	—	33,995
Derivative assets	5,975	—	5,975	4,534	—	1,440
Total	138,614	98,644	39,970	4,534	—	35,436

(Millions of yen)

	Total financial liabilities	Total offset	Financial liabilities on the consolidated statement 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	188,301	98,644	89,657	—	—	89,657
Derivative liabilities	6,792	—	6,792	4,534	—	2,257
Total	195,093	98,644	96,449	4,534	—	91,914

(5) Derivative transactions and hedging activities

Toyota Industries has concluded derivative agreements with financial institutions to hedge changes in cash flows or fair value of financial assets and financial liabilities. Forward exchange contracts and currency options are used to hedge foreign currency risks concerning trade receivables, trade payables and others denominated in foreign currencies. Moreover, currency swaps, interest rate swaps, interest rate and currency swaps, and interest options are used to hedge foreign currency risk and interest rate risk of borrowings, corporate bonds and lease investment assets. Toyota Industries applies hedge accounting for Items that meet hedge accounting requirements.

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 other responsible people.

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.

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. Because the important conditions for hedging instruments and hedged items are consistent or closely consistent, the amount of ineffective portions is immaterial, and it has been omitted.

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) Notional principals and average prices of hedging instruments

Notional principals and average prices of hedging instruments for which hedge accounting applied consist of the following.

FY2019 (As of March 31, 2019)

	Risk	Hedge Instruments	Unit	Notional principal				Average price or Average rate
				Within one year	Over one year but within five years	Over five years	Total	
Cash flow hedges	Foreign currency risk	Foreign currency forward contract transactions	Millions of					
		BUY JPY / SELL USD	USD	73	—	—	73	JPY 109.64
		BUY EUR / SELL USD	EUR	73	7	—	81	USD 1.21
		BUY SEK / SELL USD	USD	1	—	—	1	SEK 8.93
		BUY SEK / SELL EUR	EUR	47	—	—	47	SEK 10.50
		BUY SEK / SELL GBP	GBP	55	—	—	55	SEK 11.70
		BUY SEK / SELL AUD	AUD	16	—	—	16	SEK 6.40
		BUY USD / SELL SEK	USD	9	—	—	9	SEK 9.00
		BUY EUR / SELL SEK	EUR	16	—	—	16	SEK 10.39
		Foreign currency option contract transactions						
		BUY JPY / SELL USD	USD	116	—	—	116	JPY 109.47
		BUY JPY / SELL EUR	EUR	53	—	—	53	JPY 125.33
		BUY JPY / SELL AUD	AUD	19	—	—	19	JPY 78.00
	Interest rate risk	Interest rate swap transactions						
		Pay Fix / Receive Float	USD	50	100	—	150	—
		Interest rate and currency swap transactions						
		Pay JPY Fix / Receive USD Float	USD	84	1,297	—	1,381	JPY 110.27
		Pay JPY Fix / Receive AUD Float	AUD	—	107	—	107	JPY 93.32
		Interest options						
		Interest cap	HKD	—	100	200	300	% 3.00
Fair value hedges	Interest rate risk	Interest rate swap transactions						
		Pay Fix / Receive Float	EUR	1	520	—	522	—
			GBP	—	88	—	88	—

	Risk	Hedge Instruments	Unit	Notional principal				Average price or Average rate
				Within one year	Over one year but within five years	Over five years	Total	
Cash flow hedges	Foreign currency risk	Foreign currency forward contract transactions	Millions of					
		BUY JPY / SELL USD	USD	64	—	—	64	JPY 108.21
		BUY EUR / SELL USD	EUR	99	2	—	102	USD 1.11
		BUY SEK / SELL USD	USD	1	—	—	1	SEK 9.76
		BUY SEK / SELL EUR	EUR	52	—	—	52	SEK 10.71
		BUY SEK / SELL GBP	GBP	67	—	—	67	SEK 12.23
		BUY SEK / SELL AUD	AUD	15	—	—	15	SEK 6.45
		BUY USD / SELL SEK	USD	11	—	—	11	SEK 9.69
		BUY EUR / SELL SEK	EUR	29	—	—	29	SEK 10.73
		Foreign currency option contract transactions						
		BUY JPY / SELL USD	USD	100	—	—	100	JPY 107.96
		BUY JPY / SELL EUR	EUR	52	—	—	52	JPY 120.49
		BUY JPY / SELL AUD	AUD	20	—	—	20	JPY 71.14
	Interest rate risk	Interest rate swap transactions						
		Pay Fix / Receive Float	USD	200	425	—	625	—
		Interest rate and currency swap transactions						
		Pay JPY Fix / Receive USD Float	USD	86	1,210	42	1,339	JPY 109.66
		Pay JPY Fix / Receive AUD Float	AUD	54	53	—	107	JPY 93.32
		Interest options						
		Interest cap	HKD	—	300	—	300	% 3.00
Fair value hedges	Interest rate risk	Interest rate swap transactions						
		Pay Fix / Receive Float	EUR	33	589	—	622	—
			GBP	—	129	—	129	—

(ii) Effects of hedge accounting on the consolidated statement of financial position

The carrying amounts of hedging instruments for which hedge accounting applied consist of the following.

FY2019 (As of March 31, 2019)

(Millions of yen)

	Risk	Hedge instruments	Carrying amount of hedging instruments		Line items on the consolidated statement of financial position
			Assets	Liabilities	
Cash flow hedges	Foreign currency risk	Foreign currency forward contract transactions	1,778	2,264	Other financial assets and liabilities
		Foreign currency option contract transactions	49	50	Other financial assets and liabilities
	Interest rate risk	Interest rate swap transactions	12	—	Other financial assets
		Interest rate and currency swap transactions	3,874	2,909	Other financial assets and liabilities
		Interest option transactions	—	50	Other financial liabilities
Fair value hedges	Interest rate risk	Interest rate swap transactions	1	307	Other financial assets and liabilities
Total			5,715	5,583	Other financial assets and liabilities

FY2020 (As of March 31, 2020)

(Millions of yen)

	Risk	Hedge instruments	Carrying amount of hedging instruments		Line items on the consolidated statement of financial position
			Assets	Liabilities	
Cash flow hedges	Foreign currency risk	Foreign currency forward contract transactions	755	539	Other financial assets and liabilities
		Foreign currency option contract transactions	109	33	Other financial assets and liabilities
	Interest rate risk	Interest rate swap transactions	—	810	Other financial liabilities
		Interest rate and currency swap transactions	5,478	3,968	Other financial assets and liabilities
		Interest option transactions	—	65	Other financial liabilities
Fair value hedges	Interest rate risk	Interest rate swap transactions	39	425	Other financial assets and liabilities
Total			6,384	5,843	Other financial assets and liabilities

The carrying amounts of surplus in cash flow hedges consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Surplus in cash flow hedges	804	2,057

The carrying amounts and accumulated amounts of fair value hedge adjustments on the hedged items classified as fair value hedges consist of the following.

FY2019 (As of March 31, 2019)

(Millions of yen)

	Carrying amount of hedged items		Accumulated amount of fair value hedge adjustments		Line items on the Consolidated Statement of Financial Position
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	99,526	—	378	—	Trade receivables and other receivables

FY2020 (As of March 31, 2020)

(Millions of yen)

	Carrying amount of hedged items		Accumulated amount of fair value hedge adjustments		Line items on the Consolidated Statement of Financial Position
	Assets	Liabilities	Assets	Liabilities	
Interest rate risk	102,412	—	357	—	Trade receivables and other receivables

(iii) Effects of hedge accounting on the consolidated statement of profit or loss and other comprehensive income (loss)
Profit (loss) from cash flow hedges consist of the following.

FY2019 (April 1, 2018 - March 31, 2019)

(Millions of yen)

	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	(674)	(738)	Net sales, Financial income, Financial expenses
Interest rate risk	715	76	Financial income, Financial expenses

FY2020 (April 1, 2019 - March 31, 2020)

(Millions of yen)

	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	(1,135)	402	Net sales, Financial income, Financial expenses
Interest rate risk	1,155	829	Financial income, Financial expenses

30. Leases

(1) As lessor

Toyota Industries leases machinery and vehicles.

Toyota Industries strives to reduce risks related to underlying assets through periodic monitoring of the usage status as well as the accumulation of sales information in the used machinery and vehicle market.

FY2019 (March 31, 2018 - March 31, 2019)

(i) 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)

	FY2019 (As of March 31, 2019)	
	Total amount of the minimum future lease fees receivable	Present value of minimum lease fees receivable
Within one year	113,410	97,517
Over one year but within five years	200,518	158,329
Over five years	19,630	15,540
Total	333,559	271,387
Elimination : interest equivalents	(21,565)	
Elimination : unwarranted residual value	(40,605)	
Present value of total minimum lease fees receivable	271,387	

(ii) Operating leases

The minimum future lease fees receivable based on non-cancellable operating lease agreements consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)
Within one year	58,506
Over one year but within five years	98,224
Over five years	1,085
Total	157,816

FY2020 (March 31, 2019 - March 31, 2020)**(i) Finance Leases**

Maturity analysis of lease payments receivable based on finance leases consists of the following.

(Millions of yen)

	FY2020 (As of March 31, 2020)
Within one year	113,396
Over one year but within two years	76,322
Over two years but within three years	56,525
Over three years but within four years	35,265
Over four years but within five years	18,427
Over five years	6,130
Total	306,068
Elimination : Unearned finance income	(18,600)
Unguaranteed residual value (discounted)	39,468
Net investment in the lease	326,936

Financial income on net investment in the lease for the fiscal year ended March 31, 2020 amounted to 15,885 million yen and is included in "Net Sales" on the consolidated statement of profit or loss.

(ii) Operating leases

Maturity analysis of lease payments based on the non-cancellable operating lease contracts consists of the following.

(Millions of yen)

	FY2020 (As of March 31, 2020)
Within one year	65,228
Over one year but within two years	42,885
Over two years but within three years	29,205
Over three years but within four years	20,125
Over four years but within five years	12,074
Over five years	2,515
Total	172,035

Lease income from operating leases consists of the following.

(Millions of yen)

	FY2020 (April 1, 2019 - March 31, 2020)
Lease income relating to variable lease payments that do not depend on an index or a rate	3,208
Others	102,311
Total	105,520

(2) As lessee

Toyota Industries leases buildings and structures, machinery and vehicles, and others.

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).

FY2019 (March 31, 2018 - March 31, 2019)

(i) 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)

	FY2019 (As of March 31, 2019)	
	Total amount of the minimum future lease fees payable	Present value of minimum lease fees payable
Within one year	31,039	30,073
Over one year but within five years	54,008	52,285
Over five years	2,456	2,378
Total	87,504	84,737
Elimination : interest equivalents	(2,766)	
Present value of lease obligations	84,737	

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

(Millions of yen)

	FY2019 (As of March 31, 2019)
The total amount of the expected minimum future lease fees	94,970

(ii) Operating leases

The minimum future lease fees payable based on non-cancellable operating lease agreements consist of the following.

(Millions of yen)

	FY2019 (As of March 31, 2019)
Within one year	10,682
Over one year but within five years	24,299
Over five years	3,515
Total	38,496

The lease fees recognized as expenses consist of the following.

(Millions of yen)

	FY2019 (April 1, 2018 - March 31, 2019)
Lease fees	11,025

FY2020 (March 31, 2019 - March 31, 2020)

The carrying amount of right-of-use asset included in "Property, Plant and Equipment" or "Goodwill and Intangible Assets" consists of the following.

(Millions of yen)

	Property, Plant and Equipment					Goodwill and Intangible Assets	Total
	Other than leases as lessor				Leases as lessor		
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Machinery and vehicles	Other intangible assets	Total
FY2020 (As of March 31, 2020)	33,542	20,351	736	3,805	41,686	74	100,197

Depreciation of right-of-use assets consists of the following.

(Millions of yen)

	Property, Plant and Equipment					Goodwill and Intangible Assets	Total
	Other than leases as lessor				Leases as lessor		
	Buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Land	Machinery and vehicles	Other intangible assets	Total
FY2020 (April 1, 2019 - March 31, 2020)	8,479	8,326	370	269	8,405	14	25,865

Increase of right-of-use assets for the fiscal year ended March 31, 2020 is 34,139 million yen.

Profit or loss and total cash outflow for leases as lessee consist of the following.

(Millions of yen)

	FY2020 (April 1, 2019 - March 31, 2020)
Interest expenses for lease liabilities	1,661
Expenses for short-term leases	3,342
Income from sub-leasing right-of-use assets	57,697
Total cash outflow for leases	41,854

31. Changes in Liabilities arising from Financing Activities

Changes in the balances of liabilities arising from financing activities are as follows.

(Millions of yen)

	Short-term loans	Commercial paper	Long-term loans	Corporate bonds	Lease liabilities
Balance as of April 1, 2018	32,202	71,825	513,832	550,240	104,009
Changes from financing cash flows	(2,320)	27,482	5,466	83,156	(16,987)
Non-cash changes					
Change in scope of consolidation	212	—	709	—	1,081
Increase through commencement of lease	—	—	—	—	2,240
Foreign currency translation difference and others	(648)	929	11,209	3,118	(5,606)
Balance as of March 31, 2019	29,446	100,236	531,218	636,514	84,737
Effects of changes in accounting policies	—	—	—	—	48,090
Changes from financing cash flows	40,499	(16,922)	60,240	(17,641)	(23,647)
Non-cash changes					
Increase through commencement of lease	—	—	—	—	13,238
Foreign currency translation difference and others	(2,556)	(2,642)	(8,830)	(9,791)	(2,302)
Balance as of March 31, 2020	67,388	80,671	582,628	609,081	120,117

(Note) The above amounts include the balance to be repaid and redeemed within one year.

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)

	FY2019 (April 1, 2018 - March 31, 2019)	FY2020 (April 1, 2019 - March 31, 2020)
Toyota Motor Corporation and its subsidiaries		
Sales of goods and provision of services	242,502	267,953
Purchase of parts and receipt of services	22,857	27,224

(Note) Toyota Motor Corporation has a significant influence on Toyota Industries.

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

(Millions of yen)

	FY2019 (As of March 31, 2019)	FY2020 (As of March 31, 2020)
Toyota Motor Corporation and its subsidiaries		
Trade receivables and other receivables	46,752	41,960
Allowance for doubtful accounts	6	0
Trade payables and other payables	82,845	78,627

(Note) Toyota Motor Corporation has a significant influence on Toyota Industries.

(2) Principal management personnel compensation

FY2019 (April 1, 2018 - March 31, 2019)

(Millions of yen)

	Total amount of compensation	Total compensation by type	
		Basic compensation	Bonuses
Principal management personnel	757	501	256

FY2020 (April 1, 2019 - March 31, 2020)

(Millions of yen)

	Total amount of compensation	Total compensation by type	
		Basic compensation	Bonuses
Principal management personnel	723	490	233

33. Contingencies

There are no material contingent liabilities that need to be disclosed as of the end of the fiscal year ended March 31, 2019 and the end of fiscal year ended March 31, 2020.

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 31,808 million yen and 60,417 million yen as of the end of the fiscal year ended March 31, 2019 and the end of the fiscal year ended March 31, 2020, 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 during the fiscal years ended March 31, 2019 and 2020.

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	54.11
Aichi Corporation	Ageo-shi, Saitama	Materials Handling Equipment	52.23
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, 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
TD Automotive Compressor Kunshan Co., Ltd.	Jiangsu, China	Automobile	78.80
P.T. TD Automotive Compressor Indonesia	West Java, Indonesia	Automobile	50.10
Bastian Solutions LLC	Indiana, U.S.A.	Materials Handling Equipment	100.00
Vanderlande Industries Holding B.V.	North Brabant, Netherlands	Materials Handling Equipment	100.00
Toyota Industries Engine India Pvt Ltd.	Karnataka, India	Automobile	98.80

36. Subsequent Events

There are no material subsequent events to be reported as of August 27, 2020.

II. [Other]

Quarterly information in the fiscal year ended March 31, 2020

(Cumulative period)	First quarter	Second quarter	Third quarter	Full year
Net sales (millions of yen)	551,225	1,102,951	1,624,488	2,171,355
Profit before income taxes (millions of yen)	68,684	108,059	170,265	196,288
Profit attributable to owners of the parent (millions of yen)	53,739	82,284	129,327	145,881
Earnings per share (yen)	173.08	265.02	416.53	469.85

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly earnings per share (yen)	173.08	91.94	151.52	53.32



Independent Auditor's Report

To the Board of Directors of Toyota Industries Corporation

Opinion

We have audited the consolidated financial statements of Toyota Industries Corporation and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of income, 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 the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

川原 光爵 
Kosaku Kawahara
Designated Engagement Partner
Certified Public Accountant

小林 正英 
Masahide Kobayashi
Designated Engagement Partner
Certified Public Accountant

August 27, 2020



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