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(2) NON-U.S. PERSONS OUTSIDE THE UNITED STATES OR OTHERWISE
ELIGIBLE UNDER REG S**

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IMPORTANT: You must read the following before continuing. The following applies to the attached offering circular (the “Offering Circular”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. **You acknowledge that this electronic transmission and the delivery of the attached Offering Circular is confidential and intended for you only and you agree you will not forward this electronic transmission or the attached Offering Circular to any other person.**

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Further, the attached Offering Circular is being distributed only to and is directed only at persons in the United Kingdom who are (i) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”) or (ii) any persons falling within Article 49(2)(a) to (e) of the Financial Promotion Order (all such persons together being referred to as “Relevant Persons”). The securities are available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the securities will be engaged in only with, in the United Kingdom, Relevant Persons. Any person who is in the United Kingdom and not a Relevant Person should not act or rely on the attached Offering Circular or any of its contents.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose the contents of the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

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You are responsible for protecting against viruses and other destructive items. Your use of this electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



TOYOTA INDUSTRIES CORPORATION

\$500,000,000 3.235% Senior Notes due 2023

Issue Price 100.000%

\$500,000,000 3.566% Senior Notes due 2028

Issue Price 100.000%

TOYOTA INDUSTRIES CORPORATION, a joint stock company incorporated with limited liability under the laws of Japan, proposes to issue an aggregate principal amount of \$500,000,000 of senior notes due on March 16, 2023, or the 5-year notes, and an aggregate principal amount of \$500,000,000 of senior notes due on March 16, 2028, or the 10-year notes, and collectively, the notes, pursuant to an indenture to be dated on or around March 16, 2018, between us and MUFG Union Bank, N.A., as trustee, or the indenture. The 5-year notes will bear interest at the rate of 3.235% per annum, payable semi-annually in arrears on March 16 and September 16 of each year, with the first interest payment to be made on September 16, 2018. The 10-year notes will bear interest at the rate of 3.566% per annum, payable semi-annually in arrears on March 16 and September 16 of each year, with the first interest payment to be made on September 16, 2018.

The notes of each series will be our direct, unconditional, unsubordinated and general obligations and will rank *pari passu* and without preference among themselves and with all of our other unsecured and unsubordinated indebtedness (except for statutory preferred obligations), from time to time outstanding. We may redeem, at our option, the 5-year notes, in whole or in part, at any time prior to February 16, 2023 and may redeem the 10-year notes, in whole or in part, at any time prior to December 16, 2027, at the applicable redemption prices determined in the manner described herein plus accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption. We may also redeem, at our option, the 5-year notes, in whole or in part, at any time on or after February 16, 2023 and may redeem the 10-year notes, in whole or in part, at any time on or after December 16, 2027, at a redemption price equal to 100% of the relevant principal amount of the notes to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption. In addition, we may redeem, at our option and sole discretion, the notes of either series in whole, but not in part, upon the occurrence of certain changes in Japanese tax law. See “Description of the Notes.”

The notes will be issued only in registered form in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.

Approval in-principle has been received for the listing and quotation of the notes on the Singapore Exchange Securities Trading Limited, or the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this offering circular. Approval in-principle for the listing and quotation of the notes on the SGX-ST is not to be taken as an indication of the merits of us or the notes.

Investing in the notes involves risks that are described in “Risk Factors” beginning on page 11 of this offering circular.

The notes are being offered and sold by the initial purchasers, as set forth in “Plan of Distribution,” in the United States to qualified institutional buyers, or QIBs, within the meaning of and in reliance on the exemption from registration requirements provided by Rule 144A under the U.S. Securities Act of 1933, as amended, or the Securities Act, and to persons other than U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the Securities Act.

The notes have not been and will not be registered under the Securities Act, and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The notes are subject to certain restrictions on transfer. See “Transfer Restrictions” and “Plan of Distribution.”

It is expected that delivery of the notes will be made through the book-entry facilities of The Depository Trust Company, or DTC, for the accounts of its participants, including Euroclear Bank SA/NV, or Euroclear, and Clearstream Banking S.A., or Clearstream, on or about March 16, 2018.

Joint Lead Managers and Joint Bookrunners

Nomura

Morgan Stanley

SMBC Nikko

Mizuho Securities

J.P. Morgan

BofA Merrill Lynch

Citigroup

Co-Manager

Daiwa Capital Markets

The date of this offering circular is March 12, 2018.

No person has been authorized in connection with the offering to give any information or to make any representations not contained in this offering circular. If given or made, any such information or representations must not be relied upon as having been authorized by us, any initial purchaser or any person affiliated with the initial purchasers. No action has been, or will be, taken to permit a public offering of the notes in any jurisdiction where action would be required for that purpose. Accordingly, the notes offered hereby may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date hereof.

IN MAKING AN INVESTMENT DECISION, PROSPECTIVE INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF US AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY, NOR HAVE THE FOREGOING AUTHORITIES APPROVED THIS OFFERING CIRCULAR OR CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE UNDER THE LAWS OF THE UNITED STATES.

We are furnishing this offering circular solely for the purpose of enabling prospective investors to consider the purchase of the notes in connection with an offering not registered under the Securities Act. The information contained in this offering circular has been provided by us and other sources identified in this offering circular. Any reproduction or distribution of this offering circular, in whole or in part, and any disclosure of its contents or use of any information contained in it for any purpose other than considering an investment in the notes offered hereby is prohibited. Each offeree of the notes, by accepting delivery of this offering circular, agrees to the foregoing.

No representation or warranty is made by the initial purchasers or any of their agents, affiliates or advisors as to the accuracy or completeness of the information contained in this offering circular and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the initial purchasers or their agents, affiliates or advisors.

The notes have not been and will not be registered under the Securities Act, or with any securities authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. The notes are being offered:

- only to QIBs in reliance on the exemption from registration requirements provided by Rule 144A under the Securities Act; or
- in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act.

You are hereby notified that sellers of the notes may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended), or the FIEA, and are subject to the Act on Special Measures Concerning Taxation of Japan (Act No. 26 of 1957, as amended), or the Special Taxation Measures Act. The notes may not be offered or sold directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the initial purchasers, the notes are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a person having a special relationship with TICO as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, or a specially-related person, (ii) a Japanese financial

institution, designated in Article 3-2-2, Paragraph (28) of the Cabinet Order (Cabinet Order No. 43 of 1957, as amended), or the Cabinet Order, relating to the Special Taxation Measures Act that will hold the notes for its own proprietary account or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act. **By subscribing for the notes, an investor will be deemed to have represented that it is a Gross Recipient.**

Interest payments on the notes will be subject to Japanese withholding tax, unless it is established that the notes are held by or for the account of a beneficial owner that is (i) for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person, (ii) a Japanese designated financial institution described in Article 6, Paragraph (9) of the Special Taxation Measures Act which complies with the requirement for tax exemption under that Article or (iii) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received such payments through a payment handling agent in Japan as provided in that Paragraph.

Interest payments on the notes to an individual resident of Japan, to a Japanese corporation, or to an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person (except for the Japanese designated financial institution, the public corporation, the financial institution, the financial instruments business operator and certain other entity described in the preceding paragraph) will be subject to deduction in respect of Japanese income tax at a rate of 15.315% of the amount of such interest.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS—The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area, or the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended, or MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC, as amended, or the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014, as amended, or the PRIIPs Regulation, for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

There are restrictions on the offer and sale of the notes in the United Kingdom. All applicable provisions of the Financial Services and Markets Act 2000, or FSMA, with respect to anything done by any person in relation to the notes in, from, or otherwise involving, the United Kingdom must be complied with. See “Plan of Distribution—Selling Restrictions.”

This offering circular is for distribution in the United Kingdom only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005, as amended, or Financial Promotion Order, (ii) are persons falling within Article 49(2)(a) to (e) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of any notes may otherwise lawfully be communicated or caused to be communicated (all of these persons together being referred to as “relevant persons”). This offering circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering circular relates is available only to relevant persons and will be engaged in only with relevant persons.

For a further description of restrictions on the offer and sale of the notes, see “Transfer Restrictions” and “Plan of Distribution.”

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AVAILABLE INFORMATION

We have agreed that so long as any of the notes are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, we will, at any time we are not subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, nor exempt from the reporting requirements under the Exchange Act pursuant to Rule 12g3-2(b) under the Exchange Act, provide to each holder of restricted securities and to each prospective purchaser (as designated by the holder) of restricted securities, upon request of the holder or prospective purchaser, the information required to be provided by Rule 144A(d)(4)(i) under the Securities Act.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this offering circular, “we,” “us,” “our,” “our group” and “TICO” refer to TOYOTA INDUSTRIES CORPORATION, including its consolidated subsidiaries, as the context requires. References to “Toyota Motor” are to Toyota Motor Corporation. References to “DENSO” are to DENSO Corporation. References to “Aisin” are to Aisin Seiki Co., Ltd. References to “Toyota Tsusho” are to Toyota Tsusho Corporation. References to “Toyota Group” and “Toyota Group companies” are to Toyota Motor and the companies affiliated or related to Toyota Motor, which includes DENSO, Aisin, Toyota Tsusho and, as the context requires, TICO.

In this offering circular, when information has been extracted from our financial statements and is presented in millions or billions of yen, amounts of less than one billion, one million or one thousand, as the case may be, have been truncated unless otherwise specified. In this offering circular, where information is presented as percentages, amounts less than one-tenth of one percent or one-hundredth of one percent, as the case may be, have been rounded unless otherwise specified. Accordingly, figures presented in tables in this offering circular may not total due to such truncating or rounding. In this offering circular, references to “yen,” “JPY” or “¥” are to the lawful currency of Japan, references to “\$,” “U.S. dollar,” “United States dollar” or “USD” are to the lawful currency of the United States of America, references to “EUR” or “euro” are to the lawful currency of those member states of the European Union that are participating in the European Economic and Monetary Union pursuant to the Treaty on European Union, references to “SEK” are to the lawful currency of Sweden, references to “AUD” or “Australian dollar” are to the lawful currency of Australia and references to “CHF” are to the lawful currency of Switzerland. Our fiscal year end is March 31. Unless otherwise specified, the financial information set forth herein is presented on a consolidated basis.

We adopted International Financial Reporting Standards, or IFRS, for financial reporting purposes from the year ended March 31, 2017, using a transition date of April 1, 2015, or the transition date. Our audited consolidated financial statements as of and for the year ended March 31, 2017, with required comparative information as of the transition date and March 31, 2016 and for the year ended March 31, 2016, and our unaudited condensed quarterly consolidated financial statements as of and for the three-month and nine-month periods ended December 31, 2017, with required comparative information for the three-month and nine-month periods ended December 31, 2016, included elsewhere in this offering circular have been prepared in accordance with IFRS.

Prior to the adoption of IFRS, we prepared our consolidated financial statements in accordance with accounting principles generally accepted in Japan, or Japanese GAAP. Unless otherwise indicated, all financial information included in this offering circular is presented using IFRS, which differs from Japanese GAAP and from accounting principles generally accepted in the United States of America, or U.S. GAAP. Note 37 to our audited consolidated financial statements as of and for the year ended March 31, 2017 contained elsewhere in this offering circular contains a discussion of the reconciliations between our financial position presented under IFRS and Japanese GAAP, respectively, as of the transition date and our financial results presented under IFRS and Japanese GAAP, respectively, for the year ended March 31, 2016.

THIRD-PARTY INFORMATION

We make statements in this offering circular about our competitive position and market share in, and the market size of, the automobile, materials handling equipment and textile machinery markets. In addition, we include statistics relating to industry and general economic trends. Where indicated, these statements are made on the basis of statistics and other information we have obtained from third-party sources, such as governmental agencies, research institutes and industry or general publications that we believe are reliable. Although we have no reason to believe any of this information is inaccurate in any material respect, we have not independently verified and cannot assure the accuracy of any data provided by or derived from such third-party sources. In addition, where indicated, these statements are made on the basis of our own internal analyses of third-party statistics and other information as well as other information available to us. Such internal analyses have not been verified by any third party and are inherently subject to speculation and uncertainty.

The IHS Markit reports, data and information referenced herein (the “IHS Markit Materials”) are the copyrighted property of IHS Markit Ltd. and its subsidiaries (“IHS Markit”) and represent data, research, opinions or viewpoints published by IHS Markit, and are not representations of fact. The IHS Markit Materials speak as of the original publication date thereof and not as of the date of this document. The information and opinions expressed in the IHS Markit Materials are subject to change without notice and IHS Markit has no duty or responsibility to update the IHS Markit Materials. Moreover, while the IHS Markit Materials reproduced herein are from sources considered reliable, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses which are based upon it. IHS Markit and IHS are trademarks of IHS Markit. Other trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners.

FORWARD-LOOKING STATEMENTS

This offering circular contains forward-looking statements. These statements appear in a number of places in this offering circular and include statements regarding the intent, belief or current and future expectations of our management with respect to our business, financial condition and results of operations. You can identify forward-looking statements by discussions of strategy, plans or intentions. In many cases, but not all, we use such words as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “outlook,” “plan,” “potential,” “predict,” “probability,” “project,” “risk,” “seek,” “should,” “target,” “will,” “would” and similar expressions in relation to us or our management to identify forward-looking statements. These statements reflect our current views with respect to future events and are subject to risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results may vary materially from those we currently anticipate. Potential risks and uncertainties include, without limitation:

- any decline or adverse development in the production levels, business, financial condition and results of operations of Toyota Group companies;
- any downturn in general economic conditions, which may have a significant impact on the materials handling equipment and automobile industries;
- effects of intense competition in the materials handling equipment and automobile industries;
- any negative developments affecting the TOYOTA brand or our other brands;
- disruptions or price increases in the supply of raw materials, components and energy that are necessary to produce our products or those of our customers;
- our ability to achieve anticipated benefits of acquisitions, joint ventures and other strategic investments;
- any impairment of goodwill or other intangible assets;
- effects of fluctuations in exchange rates;
- changes in the market value of shares we hold in the various companies in the Toyota Group; and
- effects of catastrophes, including natural disasters.

Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this offering circular. We disclaim any obligation to update, or to announce publicly any revision to, any of the forward-looking statements contained in this offering circular to reflect future actual events or developments. The information contained in this offering circular, including without limitation the information included in “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” identifies important factors that might cause the forward-looking statements not to be realized.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a Japanese joint stock company. The majority of our directors and managing officers reside in Japan and a substantial portion of our assets and of such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States or elsewhere outside Japan upon us or our directors or managing officers or to enforce against us or our directors or managing officers judgments obtained in U.S. courts, whether predicated upon the civil liability provisions of the U.S. federal or state securities laws or other laws of the United States or elsewhere. The United States and Japan do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. We have been advised by our Japanese counsel, Mori Hamada & Matsumoto, that in original actions or in actions for enforcement of judgments of U.S. courts brought before Japanese courts, there is doubt as to the enforceability in Japan of liabilities based solely on U.S. federal and state securities laws.

SUMMARY

The following summary is qualified in its entirety by, and is subject to, the detailed information and financial statements and related notes, contained elsewhere in this offering circular. Prospective investors should carefully consider the information set forth under the caption “Risk Factors” and all other information set forth in this offering circular.

TOYOTA INDUSTRIES CORPORATION

Overview

We are a global manufacturing company based in Japan with operations around the world. We are primarily engaged in the development, production and sale of materials handling equipment, vehicles, automobile parts and textile machinery as well as the provision of related after sales and other services. We are the original founding company of the Toyota Group and Toyota Motor with an operating history of over 90 years and continue to be one of the core members of the Toyota Group. Our strong relationship with the Toyota Group has supported our continued expansion in our core businesses and remains one of our key competitive advantages. See “Historical Background and Relationship with the Toyota Group.”

We are a market leader in each of our three core businesses: Materials Handling Equipment, Automobiles and Textile Machinery. In our Materials Handling Equipment business, according to our internal analyses of industry data, we had the highest global market share for lift trucks with approximately 20% in terms of units sold in the year ended December 31, 2017 and have had the highest market share for approximately a half century in Japan and over 15 years in the United States. In our Automobile business, based on our internal estimates of the total size of the car air-conditioning compressor market, we believe we had the highest global market share for car air-conditioning compressors with approximately 40% in terms of units sold in the year ended March 31, 2017 and have had the highest global market share for approximately 30 years. In our Textile Machinery business, according to our internal analyses of industry data, we believe that our air-jet looms had the highest global market share with approximately 30% in terms of units sold in the year ended December 31, 2016 and have had the highest global market share for approximately 20 years. Our strong market presence in the textile industry reflects our historical origins as a manufacturer of automatic loom machinery when we were established in 1926.

For the year ended March 31, 2017, the Materials Handling Equipment segment, the Automobile segment, the Textile Machinery segment and the Others segment accounted for 59.0%, 33.6%, 4.0% and 3.4% of our consolidated net sales, respectively.

Our Strengths

Founding Company and a Core Member of the Toyota Group

We are the original founding company of the Toyota Group and Toyota Motor, and one of the core members of the Toyota Group. We were established as Toyoda Automatic Loom Works, Ltd. in 1926 by our founder, Mr. Sakichi Toyoda, to manufacture and sell the “Type G” automatic loom. We established Toyota Motor in 1937 as a spin-off of our automobile manufacturing business and have maintained a close relationship with Toyota Motor and the other Toyota Group companies as these companies have grown over the years. We believe that our close coordination with the Toyota Group companies in areas such as quality assurance and cost control, as well as our ability to use the TOYOTA brand for a portion of our lift truck products, are significant competitive advantages that have enabled us to achieve success in our core businesses.

Our strong relationship with Toyota Motor in particular is a key part of our corporate identity and can be seen across our business operations. Our senior management team includes a member of the Toyoda family as well as directors who have previously worked for Toyota Motor. In addition, we maintain strategic shareholdings in Toyota Motor and certain other Toyota Group companies, and Toyota Motor and other Toyota Group companies also hold shares of our common stock. We believe these strategic shareholdings are a key component of, and reinforce, our relationships with other Toyota Group companies and better enable us to compete in the increasingly competitive automobile industry.

We also maintain strong ongoing business relationships with the Toyota Group companies and generate a significant portion of the net sales in our Automobile segment from transactions with these companies. For

example, DENSO and Toyota Motor are our two largest customers, accounting together with their respective subsidiaries for 20.2% and 12.3% of our net sales for the year ended March 31, 2017, respectively. In particular, DENSO is a critical partner in our car air-conditioning compressor business and serves as the sole sales channel for all our compressors. In addition, we supply automotive engines to Toyota Motor and also assemble the TOYOTA Vitz and TOYOTA RAV4 vehicle models for Toyota Motor. We believe that our business relationships with the Toyota Group contribute to the strength and stability of our Automobile business and our overall business portfolio.

For more information regarding our relationship with the Toyota Group, see “Historical Background and Relationship with the Toyota Group—Relationship with Toyota Group Companies.”

Business Portfolio Balancing Growth Potential with Stable Cash Flows

Our business portfolio is comprised mainly of our Materials Handling Equipment business, which generated 59.0% of our net sales and 70.3% of our operating profit in the year ended March 31, 2017, and our Automobile business, which generated 33.6% of our net sales and 19.6% of our operating profit in the year ended March 31, 2017. Our portfolio also includes our Textile Machinery business, which generated 4.0% of our net sales and 5.4% of our operating profit in the year ended March 31, 2017. We seek to balance the growth potential of our Materials Handling Equipment business with the stability of our Automobile business in order to pursue growth opportunities while at the same time achieving stable cash flows. In addition, our net sales are geographically diversified with 32.0% of our net sales from customers in Japan and 68.0% from customers outside of Japan, for the year ended March 31, 2017.

As described below, we hold a leading position in each of our businesses with the highest global market share in the key product segment for each of our businesses:

Steady Growth Potential of Materials Handling Equipment Business

In our Materials Handling Equipment business, according to our internal analyses of industry data, we had the highest global market share with approximately 20% in terms of units sold in the year ended December 31, 2017 for lift trucks, our key product category representing the majority of net sales in this segment and have had the highest market share for approximately a half century in Japan and over 15 years in the United States. Our Materials Handling Equipment business is one of our key growth drivers providing steady profit growth. Net sales of our Materials Handling Equipment business has grown significantly in recent years while at the same time achieving gains in profitability. On a Japanese GAAP basis, net sales of our Materials Handling Equipment business to outside customers increased from ¥596,449 million for the year ended March 31, 2013 to ¥1,031,480 million for the year ended March 31, 2016. On an IFRS basis, while net sales of our Materials Handling Equipment business to outside customers decreased slightly from ¥1,019,438 million for the year ended March 31, 2016 to ¥988,148 million for the year ended March 31, 2017 due primarily to the impact of exchange rate fluctuations, net sales of our Materials Handling Equipment business to outside customers continued to show steady growth for the nine-month period ended December 31, 2017, increasing to ¥932,592 million from ¥722,096 million for the same period in the prior year. Non-Japanese GAAP Segment EBITDA Margin increased from 12.5% for the year ended March 31, 2013 to 16.3% for the year ended March 31, 2016. Non-IFRS Segment EBITDA Margin for our Materials Handling Equipment business increased from 16.6% for the year ended March 31, 2016 to 18.0% for the year ended March 31, 2017, while it decreased from 18.1% for the nine-month period ended December 31, 2016 to 16.7% for the nine-month period ended December 31, 2017. See “Selected Financial Data and Other Information—Non-IFRS Measures” and “Selected Financial Data and Other Information—Non-Japanese GAAP Measures.” Financial information prepared in accordance with Japanese GAAP differs in certain respects from financial information prepared in accordance with IFRS. See “Selected Financial Data and Other Information—Differences between IFRS and Japanese GAAP Financial Data” and Note 37 to our audited consolidated financial statements as of and for the year ended March 31, 2017 contained elsewhere in this offering circular for a reconciliation and discussion of these differences.

We have worked to expand our Materials Handling Equipment business including through a number of strategic acquisitions, starting with our acquisition in 2000 of BT Industries AB, a global leading manufacturer of warehouse equipment based in Sweden, and our acquisition in 2001 of the industrial equipment sales division of Toyota Motor. We have a strong presence in developed markets including Japan, North America and Europe as well as a strong brand portfolio comprising some of the most recognized brands in the industry that are differentiated based on usage and customer base, including the TOYOTA, BT, RAYMOND and CESAB brands.

We apply our strong technological capabilities in the areas of environmental impact, safety and other areas to offer a full lineup of materials handling equipment products including internal combustion, electric and fuel cell lift trucks as well as logistics systems equipment such as automated lift trucks and other vehicles. In addition, through leveraging the existing strengths of our Automobile business, we are able to manufacture engines, motors and other key components for our lift trucks to ensure that our products are produced using cost-efficient, high-quality components. In emerging markets where we expect robust market growth over the mid-to-long term, we have also enhanced our presence through our acquisition in 2015 of a majority stake in LT Material Handling Holding Pte. Ltd., a new company that acquired the lift truck division of Tailift Co., Ltd. This acquisition has allowed us to expand our customer base in Asia outside of Japan by offering a lineup of lower-priced products. Furthermore, we have recently enhanced our logistics solutions capabilities through our acquisition of Bastian Solutions LLC, or Bastian, a materials handling systems integrator based in the United States, and Vanderlande Industries Holding B.V., or Vanderlande, a materials handling systems provider based in the Netherlands, in 2017.

We have also taken steps to enhance our sales financing and after sales services businesses in order to expand and strengthen our participation in the full life cycle value chain of materials handling equipment, diversify our business model and further enhance our customer relationships. For example, we acquired Cascade Corporation, a U.S. manufacturer of materials handling load engagement devices and replacement parts for lift trucks, in 2013. In addition, we established Toyota Industries Global Commercial Finance, Inc., a sales financing global management company, in 2014 and acquired Toyota Motor Credit Corporation's commercial finance business in 2015. Through enhancing our sales financing and after sales capabilities, we have been able to facilitate sales of new vehicles, generate revenues from ongoing maintenance and ensure that leased equipment is in good condition at the end of a lease period so that we can maximize resale value. In addition, we have achieved a more diverse business model and reduced our reliance on new vehicle and equipment sales.

Stable Automobile Business

In our Automobile business, based on our internal estimates of the total size of the car air-conditioning compressor market, we believe we had the highest global market share for car air-conditioning compressors, our key product category representing approximately 60% of our net sales in this segment, with approximately 40% in terms of units sold in the year ended March 31, 2017 and have had the highest global market share for approximately 30 years. Our Automobile business is built on our close relationship with Toyota Motor, DENSO and other Toyota Group companies and provides stable cash flows to support our operations and allow us to pursue growth opportunities. Net sales and profit of our Automobile business have been stable in recent years. Net sales of our Automobile business to outside customers on a Japanese GAAP basis increased from ¥858,671 million for the year ended March 31, 2013 to ¥1,045,782 million for the year ended March 31, 2016. On an IFRS basis, net sales of our Automobile business to outside customers increased from ¥556,505 million for the year ended March 31, 2016 to ¥562,672 million for the year ended March 31, 2017 and continued to show steady growth for the nine-month period ended December 31, 2017, increasing to ¥438,608 million from ¥414,433 million for the same period in the prior year. At the same time, non-Japanese GAAP Segment EBITDA Margin for our Automobile business was stable for the four years ended March 31, 2016 at the roughly 8% level. Non-IFRS Segment EBITDA Margin for our Automobile business has continued to be stable, decreasing from 15.7% for the year ended March 31, 2016 to 14.1% for the year ended March 31, 2017, while increasing from 14.2% for the nine-month period ended December 31, 2016 to 15.2% for the nine-month period ended December 31, 2017. See "Selected Financial Data and Other Information—Non-IFRS Measures" and "Selected Financial Data and Other Information—Non-Japanese GAAP Measures." Financial information prepared in accordance with Japanese GAAP differs in certain respects from financial information prepared in accordance with IFRS. See "Selected Financial Data and Other Information—Differences between IFRS and Japanese GAAP Financial Data" and Note 37 to our audited consolidated financial statements as of and for the year ended March 31, 2017 contained elsewhere in this offering circular for a reconciliation and discussion of these differences.

In our car air-conditioning compressor business, we sell all of our compressors through DENSO, which allows us to capitalize on DENSO's robust network of relationships with global automobile manufacturers to support stable sales of our compressor products. Through DENSO, we supply air-conditioning compressors to automobile manufacturers across the world, including Audi AG, Volkswagen Group, Mercedes-Benz and Peugeot in Europe, General Motors Company, Toyota Motor, Ford Motor Company and Fiat Chrysler Automobiles N.V. in North America, Toyota Motor, Daihatsu Motor Co., Ltd. and Nissan Motor Co., Ltd. in Japan and Toyota Motor, Ford Motor Company, Audi AG and Volkswagen Group in China. In addition, our full

product lineup of car air-conditioning compressors is a key competitive strength that allows us to cater to diverse market needs in emerging countries as well as developed countries. In particular, we have a strong lineup of car air-conditioning compressors for hybrid, plug-in hybrid, electric and fuel cell vehicles, which we expect will continue to be growing segments of the automobile market. We also design our compressors to be highly energy efficient and environmentally friendly in order to respond to increasing sensitivity to the environmental impact of vehicles. Moreover, we believe that our global production and supply capabilities for compressors represent a key operational strength, with approximately 60% of our compressors manufactured overseas. As a result of these significant capabilities as a supplier of car air-conditioning compressors, we are able to respond to the requirements of each market and sell our compressor products not only to Toyota Motor but also to other automobile manufacturers in diverse regions around the world, which has enabled us to achieve the leading market share for this product category.

In addition to our car air-conditioning compressors, products sold in our Automobile business are primarily comprised of engines, vehicles and electronics parts, foundry and others. Due to our strong relationship with Toyota Motor, sales of these products are relatively stable, and we work continuously to maintain and strengthen our relationship with Toyota Motor. For example, we and Toyota Motor determined to concentrate our joint development activities of diesel engines under our control in 2014, and production of diesel engines will also be gradually concentrated under our control. Moreover, in our assembly of the TOYOTA Vitz and TOYOTA RAV4 brand vehicles, we seek to maintain the highest level of comprehensive performance in terms of safety, environment, quality, cost and delivery, which we refer to as SEQCD, among Toyota-affiliated manufacturers. We also have developed a strong lineup of high-quality car electronics components for hybrid and electric vehicles based on our nearly 20-year track record of supplying car electronics to the hybrid TOYOTA Prius. We have worked to expand our car electronics products sales not only to Toyota Motor for use in its hybrid vehicles but also to other automobile manufacturers.

A Market Leader in the Textile Machinery Business

In addition to our main businesses described above, we have also been a market leader in the textile machinery industry for over 90 years since our establishment as a manufacturer of automatic looms in 1926. In particular, according to our internal analyses of industry data, we believe that our air-jet looms had the highest global market share with approximately 30% in terms of units sold in the year ended December 31, 2016 and have had the highest global market share for approximately 20 years. We strive to strengthen our leadership position in the industry and have established a robust global footprint to support our Textile Machinery business, including through our acquisition in 2012 of Uster Technologies UG, a leading manufacturer of yarn quality measurement and cotton classification instruments for the textile industry based in Switzerland. Our longstanding commitment and strong market position in the textile machinery industry enables us to generate stable cash flows from our Textile Machinery business.

Flexible Business Model with Proven Track Record

Track Record of Selective Acquisitions and Portfolio Realignment

Our current business portfolio is the product of our strategy of “concentration and selection,” under which we make strategic decisions based on periodic reviews of our businesses to assess the strength and market environment of each business to ensure we appropriately allocate our resources across businesses in the most efficient manner. As discussed above, we have been pursuing selective expansion through strategic acquisitions with a particular focus on our Materials Handling Equipment business, including our acquisition of the sales finance business for materials handling equipment from Toyota Motor Credit Corporation in 2015 and our acquisitions of Bastian and Vanderlande in 2017. We believe that our efforts to enhance our business through strategic acquisitions and achieving related synergies make our growth strategy unique within the Toyota Group. While we also focus on organic growth of our existing businesses, we believe that pursuing selective acquisitions can allow us to accelerate growth in key areas and capture opportunities in new areas that complement our existing businesses.

As part of our strategy of concentration and selection, we have also divested or withdrawn from non-core business lines that are less profitable than our other businesses or otherwise do not fit with our overall strategy. For example, we have taken steps to reposition our electronics-related businesses to focus on car electronics through the sale of our interest in joint ventures with Sony Corporation relating to the development of display panels for mobile devices in 2007 as well as the dissolution of our joint venture with Ibiden Co., Ltd.

relating to the production of semiconductor package substrates in 2012. In addition, in December 2015, we sold our stakes in Asahi Security Co., Ltd., which operated a cash collection and delivery and cash proceeds management business, and Wanbishi Archives Co., Ltd., which operated a data storage, management, collection and delivery business, for ¥81.0 billion and ¥86.0 billion, respectively, in order to realign our business portfolio and reallocate management resources to our Materials Handling Equipment and Automobile businesses. We used the proceeds from the sale of these companies to enhance our logistics solutions business through new acquisitions and invest in other growth areas.

Advanced Technical Capabilities to Address Market Changes

We consider our advanced technical capabilities to be a key competitive advantage that allows us to adapt to changing business environments. In our Materials Handling Equipment business, for example, we have been a leader in developing a variety of electric lift trucks in addition to internal combustion models and have also recently introduced fuel cell lift trucks into our product lineup. In addition, we have more recently been working to enhance our logistics solutions capabilities to respond to rising demand for greater automation and improved efficiency driven by the expansion of e-commerce and other industry trends. Similarly, in our Automobile business, we are well positioned to respond to the ongoing shift from internal combustion vehicles to electric powered vehicles due to our nearly 20-year track record of supplying components for electric powered vehicles including our electric car air-conditioning compressors and components for the hybrid Toyota Prius. See “Business—Our Business Operations—Automobile.”

Sound Financial Base

We have established a sound financial base supported by our well-balanced portfolio of businesses. In recent periods, profit growth has allowed us to further strengthen our financial base and cash flow generation, despite significant indebtedness remaining from prior acquisitions. On a Japanese GAAP basis, in spite of several large acquisitions and an increase in sales finance assets over the period, our Net Debt to EBITDA Ratio improved from 2.6x for the year ended March 31, 2013 to 1.9x for the year ended March 31, 2016, due to our strong cash flow which was generated in part from the increase in profits from our Materials Handling Equipment business. In addition, on an IFRS basis, our Net Debt to EBITDA Ratio has remained at a stable level of 1.9x and 2.1x for the years ended March 31, 2016 and 2017, respectively. Due to the acquisitions of Bastian and Vanderlande in 2017, our Net Debt to EBITDA Ratio increased to 3.1x for the nine-month period ended December 31, 2017. We aim to manage and decrease the ratio through our disciplined financial policies. For more information on the increase in sales finance assets, see “Business—Our Business Operations—Materials Handling Equipment—After Sales Services and Sales Financing.”

In addition, our Adjusted Free Cash Flows were ¥97,450 million and ¥74,868 million for the years ended March 31, 2016 and 2017, respectively. See “Selected Financial Data and Other Information—Non-IFRS Measures.”

Furthermore, we have been diversifying our financing methods and maturities, including through the use of our Euro medium term note program and the offering of the notes described in this offering circular, allowing us to further enhance our financial soundness. For more information on our financing methods and maturities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources.” Due in part to our stable financial base, we have a credit rating of AA- from S&P Global Ratings Japan Inc., or S&P, A1 from Moody’s Japan K.K., or Moody’s, and AA from Rating and Investment Information, Inc., or R&I. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Ratings.”

Our Strategies

Working toward the Realization of Vision 2020

In 2011, we announced “Vision 2020,” which set forth a roadmap for the next stage of our growth. The objective of Vision 2020 is to support industries and social foundations around the world by offering products and services that respond to customers’ needs in a timely manner in order to contribute to the betterment of society and a higher quality of life.

To achieve this objective, we established the following three strategic pillars that we seek to pursue across all of our businesses:

- *3E (environment, ecology & energy).* We strive to develop environmentally-conscious, energy-efficient products based on the three concepts of environment, ecology and energy, which we refer to internally as “3E.”
- *Value Chain.* We seek to expand our participation in the product value chain through strengthening after sales services in our Materials Handling Equipment business.
- *World Market.* We seek to further expand our business to overseas markets and increase our operational presence globally.

Materials Handling Equipment

We intend to continue to develop our Materials Handling Equipment business as one of our key growth drivers. In our research and development efforts, we will continue to develop high value-added products focused on safety and our “3E” principles. We will also build on recent product development accomplishments including our internally developed lithium ion battery lift truck model and the world’s first fuel cell lift truck model, both of which we introduced in 2016. Specifically, we will seek to enhance our product lineup with improvements to existing internal combustion lift trucks and electric lift trucks as well as next generation models of lithium ion battery lift trucks and fuel cell lift trucks. In addition, in order to enhance our product offerings, we plan to strengthen our in-house development and production of engines, motors and other components. We will also seek to generate technological synergies with Cascade Corporation, which we acquired in 2013, by integrating its lift truck attachments with sensors and our telematics systems. In addition, we plan to further develop hybrid units for construction machinery, which were first used in the hybrid excavators of Hitachi Construction Machinery in September 2017.

To expand our presence in the product value chain, we aim to further strengthen our fleet management system offerings in order to better propose logistics solutions that meet the needs of large-scale customers. In addition, we expect to continue to enhance our sales finance business by leveraging the knowhow and human resources of the sales finance business we acquired from Toyota Motor Credit Corporation in 2015. We will also seek to leverage our enhanced sales finance footprint in Europe through our recently opened sales finance offices in Germany and Italy, as well as the commercial finance business in Canada that we acquired in 2017. In emerging markets where we expect robust market growth over the mid-to-long term, we intend to continue with our efforts to offer a lineup of lower-priced products and expand our customer base in Asia outside of Japan through the lift truck division of Tailift Co., Ltd., which we acquired in 2015.

In light of recent market trends including the rapid growth of e-commerce and the increase in air travelers, we believe that our logistics solutions business in particular has significant growth potential. Our current priority is to fully integrate Bastian and Vanderlande, which we acquired in 2017, into our operations so that we can accelerate growth of our logistics solutions business to capture market growth in this area by fully leveraging the strengths of these companies. In particular, Bastian has extensive experience providing leading software development capabilities for logistics management and control systems to some of the world’s leading companies. Moreover, Vanderlande has strong capabilities for large-scale projects such as comprehensive logistics process automation covering check-in and luggage processing at major hub airports, warehouse automation solutions to leading e-commerce and retail companies and parcel and post handling solutions for major delivery providers. Through realizing synergies and pursuing collaboration among these two companies and our existing businesses in Europe, North America and Japan, we will seek to further enhance our global logistics solutions business.

Automobile

As developed countries are expected to implement more stringent fuel emissions standards and developing countries are likely to introduce similar standards in the future, over the medium-term we expect an increase in demand for variable-displacement car air-conditioning compressors with higher efficiency and fuel economy. Over the long-term, we expect demand to shift to electric compressors as production of hybrid, electric and fuel cell vehicles increases driven by environmental regulations, growing environmental consciousness and tax incentive programs for electric vehicles. In this environment, we intend to maintain our leadership position in

car air-conditioning compressors by developing variable-displacement car air-conditioning compressors with higher fuel efficiency and leveraging our strengths in developing electric compressors that meet evolving customer needs. With respect to fuel cell vehicles, we intend to build on the technology we developed for car air-conditioning compressors used in Toyota Motor's MIRAI fuel cell vehicles to develop new products and technologies for next generation automobiles. At the same time, as we expect that demand for fixed-displacement compressors will remain strong in developing countries, we will make efforts to enhance our product offerings, such as our newly developed SVE series vane type compressors for compact vehicles, which offers improved air-conditioning performance without increasing unit size.

In our engine business, we will work to further consolidate research and development functions and production of diesel engines, which have been conducted jointly with Toyota Motor, under our control. We will continue to focus our research and development efforts on both gasoline and diesel engines with higher fuel efficiency and lower emissions. In our vehicle business, we will seek to deepen our relationship with Toyota Motor by providing high quality manufacturing operations in terms of SEQCD. In light of the expected shift towards electric powered vehicles in the automobile industry, we intend to increase our sales of products for hybrid, electric and fuel cell vehicles, including DC-DC converters and DC-AC inverters, to Toyota Motor and other automobile manufacturers. Through leveraging the experience and knowhow we have accumulated in supplying electronics parts to the hybrid TOYOTA Prius for nearly 20 years, we will aim to further expand our customer base for car electronics products outside the Toyota Group in addition to strengthening our supply relationship with Toyota Motor.

Company Information

Our headquarters is located at 2-1 Toyoda-cho, Kariya-shi, Aichi 448-8671, Japan. Our main telephone number is +81-566-22-2511. Our corporate internet website is <https://www.toyota-industries.com>. The information on our website does not constitute a part of this offering circular.

The Offering

Securities Offered:.....	\$500,000,000 aggregate principal amount of 3.235% senior notes due 2023. \$500,000,000 aggregate principal amount of 3.566% senior notes due 2028.
Issue Prices:	100.000% for the 5-year notes and 100.000% for the 10-year notes.
Maturity Dates:	The 5-year notes will mature on March 16, 2023. The 10-year notes will mature on March 16, 2028.
Status of the Notes/Ranking:	The notes of each series will be our direct, unconditional, unsubordinated and general obligations and will rank <i>pari passu</i> and without any preference among themselves and with all of our other unsecured and unsubordinated indebtedness (except for statutorily preferred obligations), from time to time outstanding.
Minimum Denomination:.....	The notes will be in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof.
Payments of Principal and Interest on the Notes:	Interest on the 5-year notes and the 10-year notes will accrue at the rate of 3.235% per annum and 3.566% per annum, respectively. We will pay interest on the 5-year notes and interest on the 10-year notes semi-annually in arrears on March 16 and September 16 of each year, or each, an interest payment date beginning on September 16, 2018. Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. We will compute interest on the basis of a 360-day year consisting of twelve 30-day months. If any date for payment of principal, premium, if any, or interest falls on a day that is not a business day, then payment need not be made on such date but may be made on the next succeeding business day. Any payment made on such next succeeding business day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date. See “Description of the Notes—Principal, Maturity and Interest.”
Additional Amounts:.....	All payments of principal, premium, if any, and interest in respect of the notes shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or by the relevant authority. In such event, we shall pay, subject to certain exceptions, such additional amounts as will result in the receipt by the holders of such amounts as would have been received by them had no such withholding or deduction been required. See “Description of the Notes—Taxation and Additional Amounts.” References to principal, premium, if any, and interest in respect of the notes shall be deemed to include any additional amounts which may be payable as set forth in the notes and the indenture.
Optional Redemption:	We have the option to redeem the notes of each series, in whole or in part, at any time prior to February 16, 2023 (the date that is one month before maturity) in the case of the 5-year notes, and December 16, 2027 (the date that is three months before maturity) in the case of the 10-year notes, or in each case, the Par Call Date.

The redemption price for the series of notes to be redeemed will be equal to the greater of:

- (i) 100% of the principal amount of the notes being redeemed; or
- (ii) the sum of the present values of the principal and the remaining scheduled payments of interest on the notes of the series being redeemed (exclusive of interest accrued to the date of redemption) that would be due if such notes were redeemed on the Par Call Date for such series of notes, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined in the “Description of the Notes—Optional Redemption”) plus 10 basis points in the case of the 5-year notes, and at the Treasury Rate plus 15 basis points in the case of the 10-year notes,

plus, in each case, accrued and unpaid interest on the principal amount of the notes of the series being redeemed to, but excluding, the date of redemption.

We also have the option to redeem the notes of a series, in whole or in part, at any time on or after the Par Call Date for such series of notes at a redemption price equal to 100% of the principal amount of the notes of such series to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption. See “Description of the Notes—Optional Redemption.”

Optional Tax Redemption: The notes of each series may be redeemed at any time, at our option and sole discretion, in whole, but not in part, at the principal amount of the notes of such series together with interest accrued to but excluding the date fixed for redemption and any additional amounts thereon, if we have been or will be obliged to pay such additional amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes or (b) after the completion of any Succession Event (as defined in the “Description of the Notes—Merger, Consolidation, Sale or Disposition”) whereby the succeeding entity is organized under the laws of or tax resident in a jurisdiction other than Japan, any change in, or amendment to, the laws or regulations of the jurisdiction of tax residence of the succeeding entity or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided through the taking of reasonable measures available to us or the succeeding entity, as the case may be. See “Description of the Notes—Optional Tax Redemption.”

Use of Proceeds: We intend to use the net proceeds from the offering of the notes for general corporate purposes, including capital expenditures and investments in research and development.

Global Notes: Each series of the notes will be initially represented by one or more global notes in definitive, fully registered form without interest coupons. The global notes will be deposited upon issuance with the custodian for DTC and registered in the name of DTC or its nominee. Beneficial interests in the global notes may be held only through DTC

(or any successor clearing system that holds global notes) and its participants, including Euroclear and Clearstream.

The security numbers for the notes are:

For the notes sold under Regulation S:

	<u>5-year notes</u>	<u>10-year notes</u>
CUSIP No:	J92628 BL9	J92628 BM7
ISIN:	USJ92628BL90	USJ92628BM73
Common Code:	179098652	179098687

For the notes sold under Rule 144A:

	<u>5-year notes</u>	<u>10-year notes</u>
CUSIP No:	892330 AB7	892330 AC5
ISIN:	US892330AB73	US892330AC56
Common Code:	179098628	179098636

Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by the depositaries and their participants. The sole holder of the notes represented by a global notes will at all times be DTC or its nominee (or a successor of DTC or its nominee), and voting and other consensual rights of holders of each series of the notes will be exercisable by beneficial owners of the notes only indirectly through the rules and procedures of the depositaries from time to time in effect. Beneficial interests in the global notes may not be exchanged for definitive notes except in the limited circumstances described under “Description of the Notes—Book-Entry, Delivery and Form—Exchange of Global Notes for Definitive Notes.”

Governing Law: The notes and the indenture will be governed by and construed in accordance with the laws of the State of New York.

Ratings: It is expected that the notes will be rated AA- by S&P and A1 by Moody's.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and Trading: Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Approval in-principle for the listing and quotation of the notes on the SGX-ST is not to be taken as an indication of the merits of us or the notes.

So long as the notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a global note is exchanged for definitive notes, an announcement of such exchange shall be made by us or on our behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The notes are expected to be traded on the SGX-ST in a minimum board lot size of \$200,000 for so long as such notes are listed on the SGX-ST.

Trustee, Principal Agent, Transfer Agent
and Notes Registrar: MUFG Union Bank, N.A.

RISK FACTORS

Prior to making an investment decision, you should carefully consider the following risks, along with the other information in this offering circular, including our consolidated financial statements and related notes and other financial information, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Our business, financial condition and results of operations could be materially and adversely affected by the factors discussed below. This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this offering circular. See “Forward-Looking Statements.”

Risks Related to Our Business

A significant portion of our net sales is to Toyota Motor, DENSO and other Toyota Group companies, and our business, financial condition and results of operations may be adversely impacted if there is any decline or adverse development in the production levels, business, financial condition and results of operations of such Toyota Group companies.

We derive a significant portion of our net sales from sales to Toyota Motor, DENSO and other Toyota Group companies, and we expect these companies to continue to be significant customers in the future. Toyota Motor, which is our largest shareholder owning 23.5% of the issued shares of our common stock as of September 30, 2017, has historically been one of our largest customers and together with its subsidiaries accounted for ¥205,938 million, or 12.3%, of our consolidated net sales for the year ended March 31, 2017. We manufacture a substantial portion of our automobile engines for certain models of TOYOTA brand vehicles and also assemble the TOYOTA Vitz (sold under the name Yaris outside of Japan) and TOYOTA RAV4 vehicle models for Toyota Motor. DENSO is our single largest customer and together with its subsidiaries accounted for ¥338,323 million, or 20.2%, of our consolidated net sales for the year ended March 31, 2017. In particular, DENSO is a critically important customer and sales channel for our car air-conditioning compressor business, which is one of our key growth drivers. We sell all of our car air-conditioning compressors to DENSO, and DENSO in turn resells them to various automobile manufacturers and other customers or uses them to produce air-conditioning systems installed into TOYOTA brand vehicles and vehicles sold by other automobile manufacturers. We also sell other components and products to Toyota Group companies that in turn supply components and products to Toyota Motor, including Aisin and Toyota Tsusho. Accordingly, we are dependent on the continued growth and financial stability of Toyota Motor, DENSO and other Toyota Group companies.

In particular, any decline in vehicle production levels of Toyota Motor could adversely affect the volume of our products purchased by Toyota Group companies. The success of Toyota Motor, DENSO and other Toyota Group companies depends on their ability to compete effectively within the automotive industry, which is characterized by vigorous competition, rapid technological change, short product life cycles and cyclical consumer demand patterns. In light of this challenging environment, there is no assurance that the Toyota Group will be able to maintain or increase its vehicle production levels in the future. We are exposed to these fluctuations in production levels because, in most instances, Toyota Motor and Toyota Group companies agree to purchase their requirements for specific products but are not required to purchase any minimum amount of products from us. In addition, because we supply specific components for particular vehicle models and assemble specific models of TOYOTA brand vehicles, any decrease in demand for such models could disproportionately reduce our sales and adversely affect our business. Furthermore, if Toyota Motor, DENSO or any other Toyota Group company decides to reduce its purchases of our products due to dissatisfaction with our performance or pricing as a supplier, efforts to achieve a more diversified supplier base or for any other reason, our business, financial condition and results of operations would be adversely affected.

Due to our close relationship with Toyota Motor, DENSO and other Toyota Group companies, we also coordinate with, and rely on, these companies in aspects of our business other than direct purchases and sales. For example, we use the TOYOTA brand in our Materials Handling Equipment business pursuant to a license agreement we have entered into with Toyota Motor, and we coordinate closely with Toyota Motor and DENSO with respect to the development, production and sale of our automobile products. See “Historical Background and Relationship with the Toyota Group.”

The materials handling equipment and automobile industries are inherently cyclical, and any downturn in general economic conditions could significantly impact our business, financial condition and results of operations.

Our businesses have historically been cyclical and sensitive to changes in general economic conditions.

In our Materials Handling Equipment business, sales of lift trucks and other materials handling equipment and demand for related after sales services depend on our customers' capital investments decisions, which in turn are affected by general levels of economic activity in the industries in which our customers operate as well as overall economic and financial conditions. During economic downturns, our customers may delay purchases of new industrial equipment and parts as well as equipment repairs and maintenance, decreasing demand for our products and after sale services. In addition, changes in global trade, shipping volumes, global supply chains of our customers and trends in the logistics industry as a whole may affect demand for our materials handling equipment.

In our Automobile business, our product sales are directly related to vehicle production and sales by our customers. Vehicle production and sales are highly cyclical and sensitive to general economic conditions, including consumer spending and preferences, employment levels, the global credit markets, interest rates and the availability of consumer credit. Vehicle production and sales can also be affected by economic, social and political conditions including fuel prices, regulatory requirements, government initiatives, trade agreements, the availability of critical components needed to complete the production of vehicles, changing consumer attitudes toward vehicle ownership and usage and other factors in the relevant markets.

While the global economy has recovered to some degree since the global financial crisis in 2008, the global economic outlook remains highly uncertain as economic growth in many developed economies remains stagnant and many emerging economies are facing economic slowdowns. In addition, there is a high level of uncertainty surrounding the potential impact of recent political developments including the decision of the United Kingdom to leave the European Union, known as "Brexit," the policies of the presidential administration in the United States and continued instability in the Middle East and North Korea, among other factors. To the extent that economic or financial conditions weaken in any of our major operating markets, including in particular, Japan, North America and Europe, demand for our products or product pricing could be negatively affected, and we may experience idle capacity in our Automobile and Materials Handling Equipment businesses. We may face difficulties in accurately forecasting our expected volumes and appropriately adjusting our production as a result of economic uncertainty. In addition, because a large portion of our costs are fixed, our ability to adjust our costs in response to fluctuations in demand are limited, and our margins and overall profitability would be affected in the event of sustained declines in demand for our products. As a result, any adverse changes to economic conditions could have a material and adverse effect on our business, financial condition and results of operations.

Our future success depends on our ability to adapt to evolving technologies and industry requirements and to further develop and offer new, innovative and competitively priced products that meet customer demand on a timely basis.

Our ability to adapt to evolving technologies and industry requirements and to introduce attractive new products is critical to our future success. To remain competitive in our businesses, we must continuously innovate to achieve technological advances that respond to future customer needs and the development of technology as well as products and services required and accepted by our customers. For example, in our Automobile and Materials Handling Equipment businesses, customers increasingly demand higher levels of fuel efficiency, lower emissions and reduced overall environmental impact. This trend has resulted in increased demand for electric vehicles and equipment and related components and products. Toyota Motor, for example, recently announced that all of its vehicle models will be a dedicated electric model or have an electric option by around 2025. To respond to these customer needs, we are engaged in the development and commercialization of products supporting vehicles and equipment with alternative power sources including hybrid vehicles, electric vehicles and fuel cell vehicles. We are also currently considering opportunities to further develop our battery technology for use in electric vehicles, including through potential participation in the joint development of electric vehicle batteries recently announced by Toyota Motor and Panasonic Corporation. However, if the transition from internal combustion engines to electric power sources in automobiles and lift trucks occurs at a faster pace than we expect, sales of many of our main products in the Automobile business, including diesel engines and internal combustion vehicles, could decline significantly, and we may be unable to develop and commercialize new products to offset any such decrease in sales. In addition, in the Materials Handling Equipment business, we may be unsuccessful in developing products that adequately respond to changing needs in the rapidly growing e-commerce sector, which generally requires lift trucks and other materials handling

equipment with more compact designs and other features to support e-commerce logistics operations. Our failure to predict or understand relevant product trends and developments or to achieve technological advances and develop and commercialize products incorporating new technologies could cause our products to become obsolete and adversely affect the sales of our products.

Product research and development requires significant investment and there is no assurance that our research and development efforts will translate into sales of new products that respond to future customer needs at the levels or timing that we expect or at all. Commitments to developing new products must be made well in advance of any resulting sales, and technologies and standards can change during development, potentially rendering our products outdated or uncompetitive before their introduction and thus result in partial or total loss of our investment. Currently, our research and development activities are focused mainly on developing and upgrading products in our current business fields and peripheral areas to respond to increased demand for energy efficiency and high-performance features. Specifically, in our Materials Handling Equipment business, we have been working on development of electric lift trucks with higher energy efficiency, improvements to our fuel cell lift trucks, automated lift trucks and telematics systems to manage industrial machinery fleets. In addition, in our Automobile business, we seek to develop engines, car air-conditioning compressors and other automotive components that meet the demands of our automotive customers for high-performance and lightweight components that contribute to energy efficiency, as well as components for hybrid, electric and fuel cell vehicles. Even if we are successful in launching new products, such products may not meet our customers' needs or may be introduced to the market after our competitors. Delays in the development of products meeting market requirements and expectations for technological innovation or the lack of commercial success of such products for any reason could result in a decrease of our market share and could have a material adverse effect on our business, financial condition and results of operations.

We are subject to significant competition.

In our Materials Handling Equipment business, we compete with other manufacturers of materials handling equipment, such as KION Group AG, Mitsubishi Logisnext Co., Ltd., Jungheinrich AG and Hyster-Yale Group, Inc., primarily on the basis of price, technology, quality, reliability, reputation, total ownership costs, customer service, on-time delivery, breadth of product lines, ease of use, safety and comfort of our products, financing terms and after sales services. In our logistics solutions business, we also compete with other logistics solutions providers such as Daifuku Co., Ltd., SSI SCHAEFER, Dematic of KION Group AG and Murata Machinery, Ltd. Introducing new products and solutions to the market at prices that are acceptable to our customers is a significant factor in determining our competitiveness and success. In addition, the ability to provide flexible financing and leasing terms for equipment, after sales services, including providing spare parts and maintenance services for equipment we manufacture, and total logistics solutions have increasingly become key competitive factors in the materials handling equipment sector. Some of our competitors are global companies with strong brands and reputations in the industry. In addition, certain manufacturers from Asia and other emerging markets have an advantage in the production of low-priced equipment, primarily as a result of comparatively lower labor costs in their regions. Such emerging markets competitors could create competitive pressure on us. Further, we may face increased competition if there is any consolidation of our competitors resulting in competitors with larger scale and market share.

In our Automobile business, we compete with a number of automotive supply companies, such as Sanden Holdings Corporation and Hanon Systems in the car air-conditioning compressor segment, primarily on the basis of price, technology, quality, reliability, reputation, on-time delivery and ability to work closely with customers to supply products to the required specifications. Automobile manufacturers possess significant leverage over their suppliers because the automotive supply industry is highly competitive, serves a limited number of customers and has a high fixed cost base. While our key customers in our Automobile business are DENSO, Toyota Motor and other Toyota Group companies with whom we have a close relationship, our transactions with Toyota Group companies are conducted on an arms' length basis and these companies may respond to any price reductions in their products by demanding price reductions in the components and products that we supply to them. As a result, we may be subject to pricing pressure and other competitive factors in the initial bidding process and during the term of the contract in our business with Toyota Group companies and our other customers. To the extent that we are forced to lower our prices but cannot decrease our own production costs through design enhancements, improved supply chain management or manufacturing efficiency or otherwise, our margins and overall profitability would be adversely affected. There can be no assurance that our products will be able to compete successfully with the products of our competitors. Furthermore, the rapidly evolving nature of the geographic markets in which we compete has attracted, and may continue to attract, new entrants, particularly in countries such as China or in areas of evolving vehicle technologies such as active safety

and automated driving, some of which are from outside the traditional automotive supply industry. Additionally, consolidation of customers or our competitors in the automotive industry could lead to increased competition and pricing pressure and reduced product sales.

Competitive pressures in the businesses in which we operate could reduce both our market share and the prices we are able to charge for our products and could have a material adverse effect on our business, financial condition and results of operations.

Any negative developments affecting the TOYOTA brand or our other brands could adversely affect our competitiveness, reputation, business, financial condition and results of operations.

We believe that our association with the Toyota Group, one of the largest industrial conglomerates in the world, and our use of the TOYOTA brand are critical to our success. We also maintain and develop several other leading brands in the materials handling equipment industry, including the BT, RAYMOND and CESAB brands, which we believe are also important to maintaining and expanding our market share in the industry.

In order to maintain and enhance the TOYOTA brand image and our other brands, we and the other Toyota Group companies must continue to capture customers' confidence by providing safe, high-quality products that meet customer preferences and expectations. If Toyota Motor, DENSO or any other companies that are or are perceived to be affiliated with us and the TOYOTA brand fail to provide safe, high-quality products, experience product defects, fail to promptly implement safety measures or experience other difficulties, the TOYOTA brand could be negatively affected, which in turn could damage our business and reputation. In particular, if any of the TOYOTA brand vehicles or other products for which we are a supplier or manufacturer were to experience any defects or other reported difficulties, we may experience damage to our brand and reputation and immediate decreases in sales. Moreover, any negative developments affecting other Toyota Group companies or the TOYOTA brand could adversely impact us even if such developments are unrelated to us or our business.

While we commit significant resources to developing the TOYOTA brand and our other brands, we have little or no control over how Toyota Group companies conduct their respective businesses. Any negative developments affecting the TOYOTA brand or our other brands, whether caused by us or other parties, could materially and adversely affect our competitiveness and reputation and negatively impact our business, financial condition and results of operations.

Disruptions or price increases in the supply of raw materials, components and energy that are necessary to produce our products or those of our customers may adversely affect our business, financial condition and results of operations.

We source a broad range of materials and components, including steel, rubber, aluminum and other metals, petroleum-based resins, chemicals, electronic components and semiconductors, necessary for the production of our products from a variety of third-party suppliers. We also require a reliable supply of energy for the manufacture and delivery of our products. Although we have contractual arrangements with our suppliers in order to secure a stable supply of key raw materials and components, any significant disruption in the supply of these materials and components could adversely affect our ability to manufacture and deliver products to our customers in a timely manner. In such cases, there is no assurance that we will be able to secure a replacement supply of raw materials and components on acceptable pricing and other terms, or at all. In addition, any disruptions to the supply of energy to our production facilities could cause production delays, and our ability to operate our facilities could be affected for significant periods of time.

A disruption in the supply of raw materials, components or energy could be caused by a variety of factors affecting one or more of our suppliers, such as strikes or other labor issues, mechanical breakdowns, electrical outages, fires, explosions or political upheaval, as well as logistical complications due to weather, global climate change or other natural disasters, mechanical failures, delayed customs processing and other factors. The lack of a single subcomponent necessary to manufacture one of our products could cause an increase in our costs or force us to cease production entirely. Similarly, a potential quality issue with any of our raw materials or components could force us to halt deliveries while we validate our products. Even where products are ready to be shipped, or have been shipped, delays may arise before they ultimately reach our customers.

Furthermore, our customers may halt or delay their production if one of their other suppliers fails to deliver necessary raw materials or components, including for any of the foregoing reasons. This may cause our customers to suspend their orders, or instruct us to suspend delivery, of our products, which may adversely affect our business, financial condition and results of operations.

Increases in the price of raw materials and components that we use in our products or in energy costs we incur to produce and deliver our products also have a negative impact on our business and results of operations. While we attempt to mitigate the impact of raw material price fluctuations by, for example, entering into contractual pricing adjustment provisions with our customers (notably with respect to aluminum) and in some cases fixed price supply arrangements with our suppliers, there can be no assurance that such efforts will be able to fully protect us against the negative impact of commodity price fluctuations. In addition, while the use of contractual pricing adjustments and fixed pricing arrangements may provide us with some protection from adverse fluctuations in commodity prices, by utilizing these instruments we may forgo the benefits that might result from favorable fluctuations in price. Additionally, higher material and commodity costs or energy costs around the world may offset our efforts to reduce our cost structure. As a result, higher material and commodity costs or energy costs, as well as any hedging of such costs during periods of decreasing prices, could result in declining margins.

We may not achieve the anticipated benefits of acquisitions, joint ventures and other strategic investments, which could harm our business, financial condition and results of operations.

We have actively engaged in acquisitions, joint ventures and other strategic investments as part of our growth strategy, and may pursue new acquisitions in the future. For example, in our Materials Handling Equipment business, in March 2013 we acquired Cascade Corporation, a U.S. manufacturer of materials handling load engagement devices and replacement parts primarily for the lift truck industry, and in August 2015 we also acquired a majority stake in LT Material Handling Holding Pte. Ltd., a new company that acquired the lift truck division of Tailift Co., Ltd., a Taiwanese company focused on the development, production and sale of lift trucks and machine tools in Taiwan and China. More recently, in 2017 we acquired Bastian, a materials handling systems integrator based in the United States, and Vanderlande, a materials handling systems provider based in the Netherlands, in order to enhance our ability to provide total logistics solutions to our customers. We also are engaged in joint activities with other companies through alliances and joint ventures with the aim to strategically diversify and expand our business. Assessing a potential growth opportunity involves, among other things, extensive due diligence. However, the amount of information we can obtain about a potential growth opportunity may be limited, and we can give no assurance that any acquisitions, joint ventures and strategic investments will positively affect our financial performance or will perform as planned. In addition, while we have a track record of engaging in acquisitions, joint ventures and other strategic investments to expand our business, there is no assurance that we will be able to identify such attractive opportunities or other strategic alliances in the future, or that we will be able to pursue any opportunities we do identify due to the unavailability of adequate financing, our inability to obtain regulatory approvals or other reasons.

The process of integrating acquired companies into our operations exposes us to a variety of risks. We may not be able to successfully assimilate or integrate companies that we acquire, including their personnel, financial systems, distribution, operations and general operating procedures, or achieve any anticipated business synergies. If we fail to assimilate or integrate acquired companies successfully, our business, reputation and results of operations could be materially impacted. Likewise, our failure to integrate and manage acquired companies successfully may lead to future impairment of any associated goodwill and intangible assets. With respect to joint ventures, we are also exposed to the ongoing risk that our relationship with third-party partners may deteriorate, or that the business or financial condition of our partners could decline, which could in turn negatively impact the joint venture and also directly affect our reputation.

Any impairment of goodwill or other intangible assets could adversely affect our business, financial condition and results of operations.

As of December 31, 2017, we had goodwill and intangible assets of ¥385,824 million. A significant portion of our goodwill and intangible assets recognized through business combinations relates to acquisitions we have completed in recent years, including our acquisitions of Bastian and Vanderlande in 2017, our acquisition of a majority stake in LT Material Handling Holding Pte. Ltd. and our acquisition of the sales finance business for materials handling equipment of Toyota Motor Credit Corporation in 2015, and our acquisition of Cascade Corporation in 2013. We test our goodwill and intangible assets for impairment upon any indication of a potential impairment and, in the case of goodwill and brand names, at least once a year. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the products and services we sell, challenges to the validity of certain registered intellectual property, reduced sales of certain products incorporating registered intellectual property, disposals of group assets and a variety of other factors. If the carrying amount of an asset exceeds its estimated recoverable amount, we recognize an impairment loss on that

asset. Accordingly, any determination of impairment of goodwill or other intangible assets could have a material adverse effect on our business, financial condition and results of operations.

Currency fluctuations could have a significant adverse impact on our results of operations.

We manufacture and sell products to customers around the world in transactions denominated in various currencies and face translation and transaction risks related to the fluctuation of foreign currency exchange rates in the markets where we are active. For the year ended March 31, 2017, 68.0% of our net sales were made to customers located outside of Japan, and we expect this proportion to increase in the future. Because our consolidated financial statements are presented in yen, our recorded consolidated net sales, profit, assets and equity are affected by prevailing rates of exchange when the financial statements of our foreign subsidiaries presented in a reporting currency other than yen are translated into yen. Fluctuations in currency exchange rates have significantly impacted our results of operations in the past, and our results of operations may be similarly impacted in the future. For example, the increase in the value of yen relative to the other currencies that are our functional currencies, including the U.S. dollar and the euro, during the year ended March 31, 2017, was a significant factor that contributed to a decrease in consolidated net sales, as presented in yen, compared to the prior fiscal year.

Pursuant to our treasury policy, we utilize certain hedging measures, including currency forward contracts, currency swaps and currency options, with respect to some of our individually significant foreign currency transactions. However, such hedging measures do not cover all of our exposures and, even to the extent they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

We face risks associated with our international operations.

We have extensive international operations and manufacture and sell products and provide after sales and other services in more than 70 countries across the world. Our international operations expose us to a number of risks, including but not limited to the following:

- difficulties in monitoring and coordinating operations across a large number and wide range of jurisdictions;
- risks related to laws, regulations and policies, including trade, capital and exchange controls, in the markets in which we operate, and any subsequent changes thereto;
- changes with respect to taxation, including impositions or increases of withholding and other taxes on remittances and other payments by our overseas subsidiaries;
- varying standards and practices in the legal, regulatory and business cultures in the jurisdictions in which we operate, including with respect to the enforcement of contracts and protection of intellectual property rights;
- trade restrictions and changes in tariffs;
- risks related to political instability and uncertain business environments;
- changes in the political or economic relationship among Japan and the other countries and regions in which we operate;
- acts of terrorism, war, epidemics and other sources of social disruption; and
- difficulties associated with managing local personnel and preventing misconduct, including by our local third-party alliance or joint venture partners.

Any one or more of these or other factors could increase our costs, reduce our net sales, disrupt our operations or damage our reputation, which could result in material adverse effects on our business, financial condition and results of operations.

Changes in the value of shares in Toyota Motor, DENSO and other Toyota Group companies held by us and dividends derived from such shares could have a material adverse impact on our business, financial condition and results of operations.

As part of our efforts to maintain close relationships with Toyota Motor, DENSO and certain other Toyota Group companies, we hold a significant amount of shares of these companies, and these companies in

turn hold a significant amount of the issued shares of our common stock. As of December 31, 2017, we held ¥2,627.9 billion in stock, which primarily included ¥1,673.6 billion of shares in Toyota Motor, ¥469.1 billion of shares in DENSO, ¥178.5 billion of shares in Toyota Tsusho and ¥131.1 billion of shares in Aisin. While we hold these shares for strategic purposes and do not actively trade such shares, we are exposed to the risk of price fluctuation because the shares are publicly traded. Fluctuations in price of these securities are recognized as other comprehensive income and are not included in our statement of profit or loss under IFRS. For example, a 1% decline in the price of publicly listed shares held by us as of the same date would have resulted in a decrease in our other comprehensive income (before adjusting tax effect) of ¥19,056 million and ¥20,499 million for the year ended March 31, 2016 and 2017, respectively. In addition, a fall in the value of these securities could, among other things, reduce the value of pension assets and lead to an increase in the pension shortfall.

We also derive significant dividend income from equity securities held by us. For the year ended March 31, 2017, we recorded dividend income of ¥61,865 million, or 34.0% of our consolidated profit before income taxes, which was primarily derived from our shares of Toyota Motor, DENSO and certain other Toyota Group companies. As a result, our profit and cash flows could be significantly affected if any of the Toyota Group companies in which we hold shares reduces or fails to pay dividends on its common stock for any reason, including a decrease in profit due to business or financial difficulties or a change in dividend policy for strategic or other reasons unrelated to business performance.

Dependence on a limited number of key suppliers for critical components could negatively affect our business, financial condition and results of operations.

We rely on a limited number of key suppliers for some of the critical materials and components we use for our production and manufacturing processes. While we seek to diversify the regions and suppliers from which we source the materials and components and secure alternative supply arrangements, we are exposed to the risk that our key suppliers are unable to provide a reliable supply of such critical materials and components due to difficulties specific to the individual supplier or developments affecting the industry generally. During periods of supply shortages or delays, our deliveries to customers might be delayed or cancelled, which could result in us being required to pay contractual penalties. Our future success depends, in part, on our ability to procure timely and sufficient supply of all materials and components necessary to produce our products in our operating markets and to develop alternative supply arrangements as needed. If any of the key suppliers on which we rely for critical materials and components fails to deliver components on schedule and of the quality we require, this could have a material adverse effect on our business, financial condition and results of operations.

Our sales financing activities expose us to the credit risk of our customers and other risks.

We conduct sales financing and leasing for our materials handling equipment and our ability to provide flexible financing and leasing arrangements to our customers is an increasingly important factor to our continued success for our Materials Handling Equipment business. To enhance our sales financing and leasing activities, we acquired the sales finance business for materials handling equipment of Toyota Motor Credit Corporation in 2015 through Toyota Industries Commercial Finance, Inc. If we are unable to offer sufficient financing options, customers may choose to purchase or lease equipment from our competitors even if our equipment is regarded by customers as higher quality and more responsive to their needs. In addition, our sales financing and leasing business exposes us to the credit risk of our customers. We generally maintain a perfected security interest in the assets financed so that in the event of a customer default we may take title of the asset. However, we cannot be certain that retaking possession of the financed assets will be able to compensate us fully for customer defaults. Further, the leasing business can give rise to residual value risks to us from equipment which is returned by the lessee once the relevant leases have expired and is then either remarketed or leased to other customers. Where we cannot transfer the residual value risk to our customers due to provisions of the underlying lease agreement, we are exposed to potential residual value risks.

The continued success of our sales financing and leasing business also depends on our ability to obtain funding at acceptable costs to us. To this end, we operate conservatively in accordance with our treasury policy and seek to mitigate the risk of interest rate increases by passing increased funding costs on to our customers. However, there is no assurance that we will always be successful in such measures, and if we experience increased funding costs due to conditions in the financial markets or otherwise and are unable to offset such increased funding costs through a reduction of other expenses or an increase in revenue, the profitability of our sales financing and leasing business could be adversely affected.

We may be unable to effectively protect our intellectual property and may be subject to intellectual property infringement actions that may be brought against us.

We own significant intellectual property, including a large number of patents, trademarks, copyrights and trade secrets related to our products, product designs, manufacturing methods and brands. We also use the TOYOTA brand in our Materials Handling Equipment business pursuant to a license agreement we have entered into with Toyota Motor. Our intellectual property plays an important role in maintaining our competitive position in a number of the markets that we serve, and we expend significant resources to protect and manage our intellectual property. However, not all patents applied for may be registered as our intellectual property. In addition, our competitors may develop technologies that are similar or superior to our proprietary technologies or design around the patents we own or license. Further, our competitors may duplicate our proprietary technologies despite efforts we undertake to protect them, especially in jurisdictions where the protection of intellectual property rights is less robust. Even if we pursue legal action against competitors for infringement of our intellectual property rights, there is no assurance that any remedy we obtain will be sufficient to compensate us for such infringement, and we may be required to undertake significant costs and expend internal resources in pursuing such legal actions. In addition, there is no assurance that we will be able to continue to license any third-party intellectual property that we use in our business on acceptable terms or at all.

Since our competitors, suppliers and customers also submit a large number of inventions for intellectual property protection, it is not always possible to determine with certainty whether there are effective and enforceable third-party intellectual property rights pertaining to certain processes, methods or applications. As a result, there is a potential risk that we could infringe the intellectual property rights of third parties. As a result of any actions against us alleging infringements of intellectual property rights, we could be required to cease manufacturing, using or marketing certain technologies or products in certain countries or be forced to incur licensing costs or make changes to manufacturing processes or products, or litigate the scope or validity of patents in order to be permitted to sell our products. In addition, we could be liable to pay compensation for infringements or could be forced to purchase licenses to make use of technology from third parties.

Any of the foregoing developments or assertions by or against us relating to intellectual property rights, and any inability to protect these rights, could materially adversely impact our business, financial condition, results of operations and competitive position.

We could experience business disruptions and property loss due to natural disasters, catastrophic events or other operational problems.

We are exposed to the risk of severe damage and losses in the event of a natural or other disaster, such as an earthquake, terrorist attack or other catastrophic event, or other disruptions of our production processes at our facilities or within our supply chain in any of the markets in which we operate. In particular, Japan is subject to the risk of earthquakes and other natural disasters, including volcanic eruptions, tidal waves, typhoons and floods. Any natural or other disasters affecting the Chubu region of Japan where many of our key production facilities are located could result in delays or suspension of production or delivery at any of our facilities, which could have an adverse impact on our business, financial condition and results of operations. In addition, other events outside our control, such as deliberate acts of sabotage, or industrial accidents such as fires and explosions, whether due to human or equipment error, could damage, interrupt, or otherwise adversely affect certain of our manufacturing or other facilities as well as potentially cause injury or death to our personnel. Moreover, while we maintain regularly scheduled servicing and repairs at our production facilities, our manufacturing equipment may, on occasion, break down or otherwise be out of service as a result of unanticipated equipment failures or other problems. In the event of a major natural disaster or other uncontrollable event, accident or operational disruption, our facilities, particularly our production plants, may experience catastrophic loss, operations at such production sites may be halted for a significant period of time, shipments of products may be suspended or delayed, large losses and expenses to repair or replace facilities may be incurred. Because we generally operate our main production facilities at nearly full capacity, any such disruption could lead to a significant reduction or loss of net sales, and have other negative impacts on our business, financial condition and results of operations.

We regularly conduct inspections of all of our facilities for maintenance purposes and to prevent potential damage from disaster, and we have insurance policies to cover property damage and business interruption to cover certain potential losses at our production facilities, although we do not maintain earthquake insurance in Japan. These insurance policies may not be adequate to cover all possible losses and expenses. In addition, our business may also be adversely affected if our suppliers or business partners were to experience a catastrophic loss due to natural disasters, accidents or other uncontrollable events.

We may be subject to product liability, warranty and recall claims, which may increase our costs of doing business and adversely affect our business, financial condition and results of operations.

We are exposed to the risk of warranty claims and product liability in the event that our products fail to perform as expected and, in the case of product liability, the failure of our products results in bodily injury or property damage. The fabrication of the products we manufacture is a complex and precise process, and we must manufacture our products to the quality, performance and reliability standards required by our customers. Although we engage in extensive product quality programs and processes, there is no assurance that our efforts will be sufficient to avoid product failures due to design or manufacturing defects, which could result in:

- loss of customers and reduced demand for our products;
- increased costs such as warranty expenses, product replacements and costs associated with customer support;
- delays, cancellations or rescheduling of orders for our products;
- increased product returns or discounts;
- lawsuits brought against us relating to such product failures; or
- damage to our reputation.

If any of our products are or are alleged to be defective, we may be required to recall or participate in a recall involving such products. While we maintain insurance coverage with respect to certain product liability claims, we may not be able to obtain such insurance on acceptable terms in the future, if at all, and any such insurance may not provide adequate coverage against product liability. In addition, a recall claim brought against us, or a product liability claim brought against us in excess of our available insurance, may have a material adverse effect on our business. Although we have established warranty reserves based on our best estimates of amounts necessary to settle future and existing claims, there is no assurance that such reserves will be sufficient to cover the impact of future warrantee costs. In addition, product liability claims can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. Furthermore, even if we are successful in defending against a claim relating to our products, claims of this nature could have a material adverse effect on our reputation and market perception, which in turn may cause our customers to lose confidence in our products and us.

Increases in our costs related to employee retirement benefit obligations in the future could reduce our profitability and adversely affect our financial condition and results of operations.

Under our retirement plan, a regular employee is entitled to receive a lump-sum payment and an annuity upon retirement age. In certain cases the retiring employee may opt to receive, the full amount of the retirement benefits in a lump-sum. The retirement benefits are based primarily upon the years of employee's service and monthly pay at the time of retirement. The allowance and expenses we record for retirement benefits are determined based on pension actuarial calculations. These calculations are dependent on such factors as the discount rate, future compensation levels, employee turnover, mortality rates based on recent statistical data and expected rates of investment return on plan assets. In particular, the value of plan assets and investment returns on such assets are affected by a number of factors including changes in interest rates and fluctuations in financial markets and are difficult to estimate accurately. If any of these factors varies from our estimates, or if the assumptions relating to these factors change materially, we may be impacted by the recognition of additional costs or liabilities in the future. Differences between actuarial assumptions for our benefit plans and actual results are recognized in other comprehensive income at the time of their occurrence and could negatively impact our retained earnings and increase our net defined benefit liabilities. As a result, differences between actual results and assumptions as well as changes in the assumptions could have an impact on our financial condition and results of operations.

A disruption in our information technology systems, including one related to cyber security, could adversely affect our business, financial condition and results of operations.

We rely on the accuracy, capacity and security of our information technology systems, and the ability to continually update these systems in response to the changing needs of our business. We maintain and manage our primary information technology systems internally, and in certain areas of our business we also use information technology systems of Toyota Motor. We incur significant costs implementing, manufacturing and upgrading the

security measures that protect our information technology systems. Our security measures are focused on the prevention, detection and remediation of damage from computer viruses, natural or man-made disasters, unauthorized access, cyber-attacks and other similar disruptions. Moreover, to the extent that we rely on third-party systems, we may have limited control over security breaches or disruptions to those systems. Any system breaches could result in damage to our intellectual property or trade secrets and unauthorized access to controlled data stored on our systems. Further, any interruption, outage or breach of our information technology systems could adversely affect our business operations. To the extent that any data is lost or destroyed or any confidential information is inappropriately disclosed or used, it could adversely affect our competitive position or customer relationships, harm our business and possibly lead to claims or liability based upon alleged breaches of contract or applicable laws.

Environmental laws and regulations may expose us to liability and increase our costs.

Our plants and operations are subject to stringent environmental laws and regulations in all of the countries in which we operate, including laws and regulations governing air emission, discharges to water and the generation, handling, storage, transportation, treatment and disposal of waste materials. In view of our social responsibilities, we strive to reduce any burden on the environment resulting from our production processes and strictly comply with applicable environmental laws and regulations. While we believe that we are in compliance in all material respects with these environmental laws and regulations, there can be no assurance that we will not be adversely impacted by costs, liabilities or claims with respect to existing or subsequently acquired facilities or operations, under either present laws and regulations or those that may be adopted or imposed in the future. If a release of hazardous substances occurs at or from any of our current or former owned or leased properties or at a landfill or another location where we have disposed of hazardous materials, certain environmental laws may, regardless of fault, require us to investigate or clean up such property or other location, or impose liability on us for damages to property or natural resources and for personal injury arising out of such contamination, and the amount of such liability could be material.

Compliance with existing laws and regulations in many jurisdictions or changes in any such laws and regulations could affect our reputation, business, financial condition and results of operations.

As we operate in many jurisdictions, we must observe a large number of different regulatory requirements related to our products and production processes, including laws and regulations relating to occupational health and safety, the use and handling of chemicals, air and water emissions and the management and disposal of certain materials, substances and waste. Certain of our products, such as our engine products and vehicles we manufacture, are also directly or indirectly subject to emissions, fuel economy and other standards in the various jurisdictions in which we manufacture or sell such products. For our sites and operations, we are required to obtain and hold various permits to apply for modifications and to comply with the requirements specified therein, and we are also subject to rules that relate to the safety of our products. These laws and regulations are subject to change, and may become more stringent in the future. Stricter regulation of our product safety or our manufacturing sites or processes in the future may have a material adverse effect on our business. If we do not comply with these rules, we may be required to take all necessary measures to ensure compliance with regard to our products potentially even after we have sold them by way of a recall. We are also subject to foreign trade laws and are required to pay export duties or customs duties on materials and products that we export and import. The nature of our operations exposes us to the risk of liabilities or claims with respect to such laws, regulations, ordinances and duties, and we may have to incur material costs in connection with such liabilities or claims. We could become subject to additional laws, regulations, ordinances and permit requirements.

We are also subject to anti-bribery laws and regulations in the countries in which we operate, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, which prohibit companies and their intermediaries from making or receiving improper payments. Furthermore, many of the jurisdictions in which we do business, including the United States, United Kingdom, Germany and other member states of the European Union, issue sanctions and other regulations requiring that we refrain from doing business, or allowing our clients to do business through us, in certain countries or with certain organizations or individuals on a prohibited list maintained by such governments. Failure to adopt and enforce appropriate internal policies to ensure compliance with applicable laws and regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could have a material adverse effect on our business, financial condition and results of operations. We may also be held liable for the actions taken by our local, strategic or joint venture partners. Such a violation, even if prohibited by our policies, could have a material adverse effect on our reputation, business, financial condition and results of operations.

In addition, we are subject to competition regulation across jurisdictions including laws relating to antitrust, antimonopoly, cartels and other unfair competition practices. Due to the size and market share of our

business, we may be subject to competition laws in some of the markets in which we operate and may in the future become subject to regulatory scrutiny and legal proceedings in these jurisdictions.

Compliance with existing and additional or more stringent laws, regulations, ordinances or permit requirements, as well as more vigorous enforcement policies of regulatory agencies or stricter or different interpretations, may require us to make additional expenditures or investments, which may be material, and could also otherwise affect our business in a way that could have a material adverse effect on our reputation and market perception, in addition to our business, financial condition and results of operations.

Our after sales services for materials handling equipment could suffer from disruptions in the supply of spare parts and the provision of after sales services by unofficial third-party dealers and of unauthorized reproductions by manufacturers.

In the materials handling equipment market, the after sales business, which consists, among other things, of the supply of spare parts and the provision of maintenance and repair services, is an important element of the business since after sales service margins tend to be higher than margins for the initial sale of the equipment. Competition is intense as after sales services and spare parts are also provided by unofficial third-party dealers who offer spare parts that have been manufactured by us and who can service our equipment. In addition, unofficial third-party dealers might supply unauthorized reproductions of spare parts. If the services provided by such third-party dealers are not viewed favorably by their customers or unauthorized reproductions of spare parts are defective or of lower quality than our products, then such services or products might have a negative impact on our market reputation and result in lost revenue opportunities. The success of our after sales business depends not only on how successful we are in adequately protecting our intellectual property and technical expertise, but also in our ability to serve our customers more effectively than third-party dealers. Any impact on our after sales business could have a material adverse effect on our business, financial condition and results of operation or could negatively impact our market reputation.

Our substantial indebtedness could materially adversely affect our business, financial condition or results of operations.

We have significant outstanding indebtedness and debt service obligations. As of December 31, 2017, we had ¥1,102,419 million of corporate bonds and loans outstanding, and we anticipate that we will continue to rely on borrowings as part of our financing strategy going forward. Our substantial indebtedness could have adverse consequences, including, but not limited to:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities and other corporate requirements;
- increasing our vulnerability to a downturn in our businesses or economic and market conditions;
- requiring the dedication of a portion of our cash flow from operations to the payment of interest on our indebtedness, thereby reducing the cash flow available to fund our operations, capital expenditures or for other corporate purposes;
- exposing us to higher interest expenses due to market interest rate fluctuations to the extent that we are not able to effectively hedge the substantial portion of our borrowings which are subject to floating interest rates using derivative instruments or otherwise;
- requiring the repayment of maturing indebtedness from our cash flow from operations or the incurring of new indebtedness;
- limiting our flexibility in planning for, or reacting to, changes in our businesses and the competitive environment; and
- placing us at a competitive disadvantage compared to our competitors that are not similarly leveraged.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations and on our business, financial condition and results of operations.

Work stoppages or other labor issues at our facilities or the facilities of our customers or those in our supply chain could have a material adverse effect on our business, financial condition and results of operations.

At December 31, 2017, we employed 60,429 persons worldwide, and approximately 12,000 of our employees are represented by the primary labor union for our employees under a collective bargaining agreement and a number of employees of our subsidiaries are represented by separate labor unions. While we have no reason to believe that we will be materially impacted by work stoppages or other labor matters, there can be no assurance that future issues with our labor unions will be resolved favorably or that we will not encounter future strikes, work stoppages, or other types of conflicts with labor unions or our employees. Any of these consequences may have an adverse effect on us or may limit our flexibility in dealing with our workforce. In addition, many of our customers and suppliers have unionized work forces. Work stoppages or slowdowns experienced by our customers or suppliers could result in slowdowns or closures that would have a material adverse effect on our business, financial condition, cash flow and results of operations.

Our inability to attract and retain qualified management and other key employees or increases in personnel costs could harm our business and inhibit our ability to operate and grow successfully.

In order to manage our operations and develop, produce, market and sell our products, we must hire and retain skilled employees, often with highly specialized expertise, in the large number of countries and regions in which we operate. We also depend on the services of our senior management team to set our strategic direction, operate our business and identify key business opportunities and potential risks. Our business could be adversely affected by a failure to recruit or retain personnel with necessary skills or the unexpected loss of key personnel. In addition, we may face increasing personnel costs due to intensifying competition for employees, labor shortages in our key operating markets or other factors. Any inability to attract and retain necessary personnel or any increases in our personnel costs could have an adverse effect on our business, financial condition, results of operations and competitive position.

We are subject to risks from legal and arbitration proceedings.

We are from time to time involved in legal and arbitration proceedings in the ordinary course of our business. Such proceedings could involve substantial claims for damages relating to, for example, product liability, breach of warranty obligations, contractual penalties for late delivery or disputes over termination of contracts, or could involve the payment of fines or other payments. We cannot assure you that we will succeed in defending future claims, that judgments will not be rendered against us or that reserves we set aside will be adequate to cover any such judgments. The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to the Notes

There is no prior market for the notes, and the notes may have limited liquidity.

There is no existing market for the notes. Approval in-principle has been received for the listing and quotation of the notes on the SGX-ST, but there can be no assurance that any active trading market for the notes will develop or be sustained or whether, or at what price, holders of the notes will be able to sell or otherwise transfer their notes. The liquidity of any trading market for the notes will depend upon the number of holders of notes, our financial condition and results of operations, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors. Although the initial purchasers have informed us that they intend to make a market in the notes, the initial purchasers are not obligated to do so, and any such market-making activity will be subject to the limits imposed by applicable law and may be interrupted or discontinued at any time without notice. If an active trading market for the notes does not develop or is not sustained, the market price and liquidity of the notes may be adversely affected and you may be unable to resell the notes or may only be able to sell them at a substantial discount.

The notes are unsecured obligations.

The notes are unsecured obligations and repayment of the notes may be compromised if:

- we enter into bankruptcy, liquidation, rehabilitation or other winding-up proceedings;
- we default in payment of our secured indebtedness or other unsecured indebtedness; or
- any of our indebtedness is accelerated.

If any of these events occurs, then our assets may be insufficient to pay amounts due on the notes.

The indenture and the notes contain very limited restrictive covenants and provide no protection in the event of a change in control.

The indenture and the notes do not contain any financial covenants or other restrictions on our ability to securitize our assets, pay dividends on our shares of common stock, incur unsecured indebtedness or issue new securities, or repurchase our outstanding securities. In addition, there are only limited restrictions on our ability to pledge assets to secure other indebtedness or to sell or otherwise dispose of our assets. These or other actions by us could adversely affect our ability to pay amounts due on the notes. Furthermore, claims of the creditors of our subsidiaries will generally have priority with respect to the assets of such subsidiaries over the claims of holders of the notes. Accordingly, the notes will be effectively subordinated to the creditors of our subsidiaries. In addition, the indenture and the notes do not contain any covenants or other provisions that prevent a change in control or require us to repurchase the notes in the event of a change in control.

The ratings of the notes could be lowered.

It is expected that the notes will be rated AA- by S&P and A1 from Moody's. In addition, other rating agencies may assign credit ratings to the notes without solicitation from or provision of information by us. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but reflect only the view of each rating agency at the time the rating is issued. There is no assurance that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. A downgrade or potential downgrade in our credit ratings or the assignment of new ratings that are lower than existing ratings could reduce the population of potential investors in the notes and adversely affect the price and liquidity of the notes. A rating is based upon information furnished by us or obtained by the rating agency from its own sources and is subject to revision, suspension or withdrawal by the rating agency at any time.

We may redeem the notes prior to maturity.

We may redeem the notes, in whole or in part, at our option at any time and from time to time. See "Description of the Notes—Optional Redemption." In the event we choose to redeem the notes, the holders of such notes may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the notes.

USE OF PROCEEDS

We expect that the aggregate net proceeds from the offering of the notes will be approximately \$992 million, after deducting the initial purchasers' fees and estimated offering expenses payable by us.

We intend to use the net proceeds from the offering of the notes for general corporate purposes, including capital expenditures and investments in research and development.

EXCHANGE RATES

The following table shows, for each period indicated, the high, low, average and period-end exchange rates for U.S. dollars against yen, based on the telegraphic transfer middle rate published by The Bank of Tokyo-Mitsubishi UFJ, Ltd., and the exchange rate quotation at each period end, expressed in yen per \$1.00. On March 12, 2018, the exchange rate was ¥106.95 to \$1.00.

<u>Year ended March 31,</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>Period end</u>
			<u>(yen per U.S. dollar)</u>	
2014	¥105.39	¥ 92.91	¥100.17	¥102.92
2015	121.58	101.26	109.76	120.17
2016	125.49	111.17	120.15	112.68
2017	118.18	99.78	108.34	112.19
 <u>Nine-month period ended December 31,</u>				
2017	¥114.38	¥108.29	¥111.69	¥113.00
 <u>Most recent six months:</u>				
October 2017	¥114.16	¥112.08	¥112.95	¥113.16
November 2017	114.38	111.00	112.96	112.05
December 2017	113.65	112.40	113.02	113.00
January 2018	113.16	108.71	110.86	108.79
February 2018	109.90	106.29	107.96	107.37
March 2018 (through March 12, 2018)	106.95	105.55	106.28	106.95

Note:

(1) Averages are calculated based on the telegraphic transfer middle rate published by The Bank of Tokyo-Mitsubishi UFJ, Ltd. on each business day for the relevant period.

The exchange rates included above are for reference only and are not necessarily the rates used to convert yen to U.S. dollars in the financial statements or elsewhere in this offering circular. No representation is made that the yen amounts referred to herein have been, could have been or could be converted into U.S. dollars at these or any other rates.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our unaudited consolidated capitalization and indebtedness, as of December 31, 2017 and as adjusted to reflect only the issuance of the notes offered hereby. The information in the table below should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included elsewhere in this offering circular.

	As of December 31, 2017	
	Actual	As Adjusted
	(in millions of yen)	
Current liabilities:		
Corporate bonds and loans	¥ 362,396	¥ 362,396
Non-current liabilities:		
Corporate bonds and loans ⁽¹⁾	740,023	853,023
Total corporate bonds and loans	<u>¥1,102,419</u>	<u>¥1,215,419</u>
Equity:		
Capital stock	¥ 80,462	¥ 80,462
Authorized—1,100,000,000 shares		
Issued—325,840,640 shares		
Capital surplus	105,461	105,461
Retained earnings	1,056,669	1,056,669
Treasury stock	(59,280)	(59,280)
Other components of shareholders’ equity	<u>1,523,354</u>	<u>1,523,354</u>
Total share of equity attributable to owners of the parent	<u>2,706,667</u>	<u>2,706,667</u>
Non-controlling interests	<u>80,702</u>	<u>80,702</u>
Total equity	<u>¥2,787,369</u>	<u>¥2,787,369</u>
Total capitalization and indebtedness	<u>¥3,889,788</u>	<u>¥4,002,788</u>

Note:

(1) Translation of the U.S. dollar amounts of the notes into yen has been made at the rate of ¥113.00, the actual yen-dollar exchange rate prevailing as of December 29, 2017.

Except as set forth above, there has been no material change in our consolidated capitalization and indebtedness since December 31, 2017.

SELECTED FINANCIAL DATA AND OTHER INFORMATION

IFRS Selected Financial Data

We adopted IFRS for financial reporting purposes from the year ended March 31, 2017, using a transition date from Japanese GAAP to IFRS as of April 1, 2015. Financial information as of and for the years ended March 31, 2016 and 2017 is derived from and should be read together with our audited consolidated financial statements for the year ended March 31, 2017, including the notes thereto, which are included elsewhere in this offering circular. Financial information as of December 31, 2017 and for the nine-month periods ended December 31, 2016 and 2017 is derived from and should be read together with our unaudited condensed quarterly consolidated financial statements, including the notes thereto, included elsewhere in this offering circular.

	As of and for the year ended March 31,		As of and for the nine-month period ended December 31,	
	2016	2017	2016	2017
	(in millions of yen)			
Selected Statement of Income Data:				
Net sales	¥1,696,856	¥1,675,148	¥1,229,677	¥1,464,686
Operating profit.....	137,026	127,345	96,622	115,022
Profit before incomes taxes.....	191,386	181,986	153,983	178,543
Profit from continuing operations	138,521	137,565	119,168	150,405
Profit from discontinued operations.....	61,435	—	—	—
Profit.....	199,956	137,565	119,168	150,405
Profit attributable to owners of the parent	194,270	131,398	113,984	146,166
Profit attributable to non-controlling interests ..	5,685	6,167	5,184	4,238
Selected Statement of Financial Position				
Data:				
Cash and cash equivalents	¥ 92,399	¥ 243,685	—	¥ 239,658
Time deposits with deposit terms of over three months	270,498	162,668	—	108,468
Property, plant and equipment	815,399	833,329	—	893,585
Total assets	4,317,282	4,558,212	—	5,392,167
Current liabilities: corporate bonds and loans ...	190,844	311,663	—	362,396
Non-current liabilities: corporate bonds and loans	711,424	665,890	—	740,023
Total liabilities	2,147,969	2,241,744	—	2,604,797
Capital stock.....	80,462	80,462	—	80,462
Total share of equity attributable to owners of the parent.....	2,098,658	2,240,293	—	2,706,667
Cash Flows Data:				
Net cash provided by operating activities	¥ 248,049	¥ 239,094	¥ 167,023	¥ 220,244
Net cash used in investing activities	(532,238)	(86,925)	(19,491)	(278,769)
Net cash provided by (used in) financing activities	124,495	789	(75,949)	52,266
Cash and cash equivalents at end of year (period)	92,399	243,685	162,777	239,658
Segment Data:				
Net sales ⁽¹⁾ :				
Automobile	¥ 556,505	¥ 562,672	¥ 414,433	¥ 438,608
Materials Handling Equipment	1,019,438	988,148	722,096	932,592
Textile Machinery	65,684	66,288	49,735	48,764
Other	55,228	58,039	43,411	44,721

Note:

(1) Excludes inter-segment transactions.

Non-IFRS Measures

In addition to our reported financial results prepared under IFRS, we also use non-IFRS performance measures as supplementary information to evaluate our performance and financial condition. As described in

more detail below, these non-IFRS measures reflect adjustments for a number of items that we believe are useful to separate so that key trends driving the performance of our business can be more clearly identified by investors. However, non-IFRS measures have a number of important limitations, including those described below, and should not be viewed as a substitute for financial information prepared in accordance with IFRS. It is important to note that these non-IFRS measures have no standardized meaning prescribed by IFRS and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-IFRS measures, investors should not solely rely on non-IFRS measures in assessing our performance and financial condition.

EBITDA and EBITDA Margin

EBITDA, which we calculate by (i) adding interest expenses, (ii) subtracting interest and dividends income and (iii) adding depreciation and amortization (including assets other than property, plant and equipment) to profit before income taxes, and EBITDA Margin, which we calculate by dividing EBITDA by net sales, are not financial measures prescribed by IFRS but are supplemental financial measures that we believe are useful for investors to assess the operating performance and profitability of our business and to facilitate comparison of our operating performance to that of other companies in the same industry and other industries.

EBITDA and EBITDA Margin should not be considered as an alternative to the measures presented in accordance with IFRS, as they have important limitations as an analytical tool, because they exclude some, but not all, items that affect our reported profit. Our definitions of EBITDA and EBITDA Margin may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their utility. The table below sets forth a reconciliation of our profit before income taxes to EBITDA and EBITDA Margin for the periods indicated.

	For the year ended March 31,		For the nine-month period ended December 31,	
	2016	2017	2016	2017
	(in millions of yen, except for percentages)			
Reconciliation of EBITDA:				
Profit before income taxes	¥191,386	¥181,986	¥153,983	¥178,543
Add: Interest expenses	10,588	8,111	6,182	5,814
Deduct: Interest and dividends income ...	(66,367)	(62,862)	(62,571)	(66,561)
Add: Depreciation and amortization	143,836	148,957	108,297	122,320
EBITDA	¥279,444	¥276,193	¥205,891	¥240,116
EBITDA Margin (% of net sales)	16.5%	16.5%	16.7%	16.4%

Segment EBITDA and Segment EBITDA Margin

Segment EBITDA, which we calculate by adding the depreciation and amortization for each business segment to the segment profit for each business segment (including inter-segment transactions), and Segment EBITDA Margin, which we calculate by dividing Segment EBITDA by segment net sales (excluding inter-segment transactions), are not financial measures prescribed by IFRS but are supplemental financial measures that we believe are useful for investors to assess the operating performance and profitability of our individual business segments and to facilitate comparison of the performance of our individual business segments to that of other companies in the same industry and other industries.

Segment EBITDA and Segment EBITDA Margin should not be considered as an alternative to the measures presented in accordance with IFRS, as they have important limitations as an analytical tool, because they exclude some, but not all, items that affect our reported profit. Our definition of Segment EBITDA and Segment EBITDA Margin may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their utility. The table below sets forth a reconciliation of our Segment EBITDA and Segment EBITDA Margin for the various reporting segments for the periods indicated.

	For the year ended March 31,		For the nine-month period ended December 31,	
	2016	2017	2016	2017
(in millions of yen, except for percentages)				
Reconciliation of Segment EBITDA:				
Automobile:				
Automobile segment profit ⁽¹⁾	¥ 32,778	¥ 24,964	¥ 20,012	¥ 27,373
Add: Automobile segment depreciation and amortization	54,632	54,524	38,772	39,271
Automobile Segment EBITDA	<u>¥ 87,411</u>	<u>¥ 79,489</u>	<u>¥ 58,785</u>	<u>¥ 66,644</u>
Automobile Segment EBITDA Margin (% of Automobile segment net sales ⁽²⁾)	15.7%	14.1%	14.2%	15.2%
Materials Handling Equipment:				
Materials Handling Equipment segment profit ⁽¹⁾	¥ 91,719	¥ 89,475	¥ 65,500	¥ 77,296
Add: Materials Handling Equipment segment depreciation and amortization	77,604	88,183	65,016	78,240
Materials Handling Equipment Segment EBITDA	<u>¥169,323</u>	<u>¥177,659</u>	<u>¥130,517</u>	<u>¥155,536</u>
Materials Handling Equipment Segment EBITDA Margin (% of Materials Handling Equipment segment net sales ⁽²⁾)	16.6%	18.0%	18.1%	16.7%
Textile Machinery:				
Textile Machinery segment profit ⁽¹⁾	¥ 6,561	¥ 6,868	¥ 5,722	¥ 5,379
Add: Textile Machinery segment depreciation and amortization	4,034	3,235	2,291	2,497
Textile Machinery Segment EBITDA	<u>¥ 10,596</u>	<u>¥ 10,104</u>	<u>¥ 8,014</u>	<u>¥ 7,877</u>
Textile Machinery Segment EBITDA Margin (% of Textile Machinery segment net sales ⁽²⁾)	16.1%	15.2%	16.1%	16.2%
Others:				
Others segment profit ⁽¹⁾	¥ 5,306	¥ 6,051	¥ 5,395	¥ 4,986
Add: Others segment depreciation and amortization ..	7,565	3,013	2,216	2,310
Others Segment EBITDA	<u>¥ 12,871</u>	<u>¥ 9,064</u>	<u>¥ 7,612</u>	<u>¥ 7,297</u>
Others Segment EBITDA Margin (% of Others segment net sales ⁽²⁾)	23.3%	15.6%	17.5%	16.3%

Notes:

(1) Segment profit includes inter-segment transactions.

(2) Segment net sales exclude inter-segment transactions.

Net Debt and Net Debt to EBITDA Ratio

Net Debt, which we calculate as the aggregate of short-term loans payable, commercial paper, long-term loans payable due within one year, corporate bonds due within one year, long-term loans payable and corporate bonds less cash and deposits, time deposits with deposit terms of over three months, short-term investments (securities) which have an original maturity within three months and short-term investments (securities) which have an original maturity after three months, and Net Debt to EBITDA Ratio are not financial measures prescribed by IFRS but are supplemental financial measures that we believe are useful for investors to analyze our leverage and our ability to service and repay debt.

The following table provides a calculation of our Net Debt, as well as our Net Debt to EBITDA Ratio, for the periods indicated.

	For the year ended March 31,		For the nine-month period ended December 31, 2017
	2016	2017	
	(in millions of yen, except for ratios)		
Reconciliation of Net Debt:			
Short-term loans payable	¥ 121,572	¥ 55,211	¥ 29,928
Commercial paper	—	52,508	84,196
Long-term loans payable due within one year	49,271	193,947	222,277
Corporate bonds due within one year	19,999	9,996	25,993
Long-term loans payable	520,663	405,125	331,542
Corporate bonds	190,760	260,765	408,481
Deduct: Cash and deposits	(81,804)	(243,685)	(239,109)
Deduct: Time deposits with deposit terms of over three months	(270,498)	(162,668)	(108,468)
Deduct: Short-term investments (securities) which have an original maturity within three months	(10,594)	—	(548)
Deduct: Short-term investments (securities) which have an original maturity after three months	(277)	(1,004)	(1,080)
Net Debt	<u>¥ 539,094</u>	<u>¥ 570,196</u>	<u>¥ 753,212</u>
EBITDA	<u>¥ 279,444</u>	<u>¥ 276,193</u>	<u>¥ 240,116</u>
Net Debt to EBITDA Ratio	<u>1.9x</u>	<u>2.1x</u>	<u>3.1x</u>

Free Cash Flow and Adjusted Free Cash Flow

Free Cash Flow, which we calculate by deducting net cash used in investing activities from net cash provided by operating activities, and Adjusted Free Cash Flow, which we calculate by deducting payments for purchases of property, plant and equipment from net cash provided by operating activities, are not financial measures prescribed by IFRS but are supplemental financial measures that we believe are useful for investors to facilitate the analysis of our cash needs and our ability to generate cash from our ongoing operations and service and repay debt. We believe that Free Cash Flow is useful in evaluating our ability to generate cash from our operations and our cash needed for investing activities such as capital expenditures, acquisitions and other activities. In addition to Free Cash Flow, we believe that Adjusted Free Cash Flow is useful in evaluating our ability to generate cash from our operations after taking into account capital expenditures but excluding our cash needs relating to other investing activities such as payments and withdrawals of bank deposits and acquisitions, which may not be indicative of our ability to generate cash from our ongoing operations.

The table below sets forth a reconciliation of our net cash provided by operating activities to Free Cash Flow and Adjusted Free Cash Flow for the periods indicated.

	For the year ended March 31,		For the nine-month period ended December 31,	
	2016	2017	2016	2017
	(in millions of yen)			
Reconciliation of Free Cash Flow:				
Net cash provided by operating activities	¥ 248,049	¥ 239,094	¥ 167,023	¥ 220,244
Deduct: Net cash used in investing activities	(532,238)	(86,925)	(19,491)	(278,769)
Free Cash Flow	<u>¥(284,189)</u>	<u>¥ 152,168</u>	<u>¥ 147,532</u>	<u>¥ (58,524)</u>
Reconciliation of Adjusted Free Cash Flow:				
Net cash provided by operating activities	¥ 248,049	¥ 239,094	¥ 167,023	¥ 220,244
Deduct: Payments for purchases of property, plant and equipment	(150,598)	(164,225)	(116,557)	(143,925)
Adjusted Free Cash Flow	<u>¥ 97,450</u>	<u>¥ 74,868</u>	<u>¥ 50,466</u>	<u>¥ 76,319</u>

Japanese GAAP Selected Financial Data

The following table shows selected consolidated financial data prepared in accordance with Japanese GAAP as of and for the years ended March 31, 2013, 2014, 2015 and 2016.

	As of and for the year ended March 31,			
	2013	2014	2015	2016
	(in millions of yen)			
Selected Statement of Income Data:				
Net sales	¥1,615,244	¥2,007,856	¥2,166,661	¥2,243,220
Operating profit.....	77,098	107,691	117,574	134,712
Profit before income taxes	80,126	138,133	170,827	275,218
Profit attributable to owners of the parent	53,119	91,705	115,263	183,036
Selected Statement of Financial Position Data:				
Cash and deposits	¥ 230,348	¥ 226,383	¥ 247,273	¥ 352,302
Short-term investments	33,047	46,012	34,085	10,871
Property, plant and equipment	549,814	626,114	707,532	781,251
Investment securities	1,598,437	1,926,353	2,593,522	1,945,123
Total assets	3,243,779	3,799,010	4,650,896	4,199,196
Short-term loans payable.....	183,920	120,058	99,736	170,844
Current portion of bonds	4,499	29,139	47,053	19,999
Bonds payable	213,584	212,128	185,998	191,555
Long-term loans payable	236,318	323,400	421,154	508,593
Total liabilities	1,718,846	1,969,684	2,224,967	2,085,248
Capital stock.....	80,462	80,462	80,462	80,462
Total net assets.....	1,524,933	1,829,326	2,425,929	2,113,948
Cash Flows Data:				
Net cash provided by operating activities	¥ 151,299	¥ 155,059	¥ 182,191	¥ 240,169
Net cash used in investing activities	(274,210)	(118,483)	(160,769)	(531,561)
Net cash provided by (used in) financing activities	7,050	6,183	(8,918)	130,923
Cash and cash equivalents at end of year	179,359	226,406	248,706	92,399
Segment Data:				
Net sales ⁽¹⁾ :				
Automobile	¥ 858,671	¥1,006,678	¥1,050,713	¥1,045,782
Materials Handling Equipment ⁽²⁾⁽³⁾	596,449	809,276	924,995	1,031,480
Textile Machinery	39,903	73,102	68,188	65,684
Logistics.....	93,018	95,304	98,000	— ⁽³⁾
Others	27,202	23,494	24,762	100,273

Notes:

(1) Excludes inter-segment transactions.

(2) Due to changes in presentation of our financial data from the year ended March 31, 2017, profits and expenses arising from the sales financing business of the Materials Handling Equipment segment, which had previously been included in “interest income” and “interest expenses,” have been included in “Net sales” and “Cost of sales” for the year ended March 31, 2016.

(3) Our results starting from the year ended March 31, 2016 reflect a reclassification of our segments, whereby we eliminated the segment previously referred to as the Logistics segment. Through such reclassification, results of the reporting segment previously presented as the Logistics segment have been included in either the Materials Handling Equipment or the Others segment for the year ended March 31, 2016.

Differences between IFRS and Japanese GAAP Financial Data

Financial information prepared in accordance with Japanese GAAP differs in certain respects from information prepared in accordance with IFRS. See Note 37 to our audited consolidated financial statements as of and for the year ended March 31, 2017 contained elsewhere in this offering circular for a reconciliation and discussion of the differences between our financial position presented in accordance with Japanese GAAP and IFRS as of April 1, 2015, the transition date, and the differences between our financial results presented in accordance with Japanese GAAP and IFRS for the year ended March 31, 2016.

The major items in our consolidated financial statements prepared in accordance with IFRS that differ from our consolidated financial statements prepared in accordance with Japanese GAAP include:

- Under Japanese GAAP, net sales representing the sale of the finished product and cost of sales for producing the finished product are recorded at the time of repurchase under Japanese GAAP in connection with supply-for-a-fee transactions, where we provide manufacturing services for vehicles, engines and other products. However, under IFRS, only the net amounts equivalent to manufacturing costs relating to such transactions are recognized as net sales. As a result of the adoption of IFRS, net sales decreased ¥490,913 million and cost of sales decreased ¥490,913 million for the year ended March 31, 2016, compared to net sales and cost of sales under Japanese GAAP for the same fiscal year. After taking into account other adjustments, the total impact on net sales as a result of the IFRS application was a decrease of ¥546,363 million for the year ended March 31, 2016, compared to net sales as under Japanese GAAP for the same fiscal year.
- Under Japanese GAAP, goodwill is amortized in principle over a period that is not more than 20 years on a straight-line basis. However, under IFRS, goodwill is not amortized and is subject to an impairment test conducted for each period. As a result of our transition to IFRS, we have not amortized goodwill since the transition date, resulting in a decrease in selling, general and administrative expenses of ¥10,369 million for the year ended March 31, 2016, compared to selling, general administrative expenses under Japanese GAAP for the same fiscal year.

Non-Japanese GAAP Measures

In addition to our reported financial results prepared under Japanese GAAP, we have historically used non-Japanese GAAP performance measures as supplementary information to evaluate our performance and financial condition. As described in more detail below, these non-Japanese GAAP measures reflect adjustments for a number of items that we believe are useful to separate so that key trends driving the performance of our business can be more clearly identified by investors. However, non-Japanese GAAP measures have a number of important limitations, including those described below, and should not be viewed as a substitute for financial information prepared in accordance with Japanese GAAP. It is important to note that these non-Japanese GAAP measures have no standardized meaning prescribed by Japanese GAAP and may not be comparable to the calculation of similar measures of other companies. Due to the limitations inherent in non-Japanese GAAP measures, investors should not solely rely on non-Japanese GAAP measures in assessing our performance.

EBITDA and EBITDA Margin

EBITDA, which we calculate by (i) adding interest expenses, (ii) subtracting gain on sales of shares of subsidiaries, (iii) subtracting interest and dividends income and (iv) adding depreciation and amortization (including assets other than property, plant and equipment) to profit before income taxes, and EBITDA Margin, which we calculate by dividing EBITDA by net sales, are not financial measures prescribed by Japanese GAAP but are supplemental financial measures that we believe are useful for investors to assess the operating performance and profitability of our business and to facilitate comparison of our operating performance to that of other companies in the same industry and other industries.

EBITDA and EBITDA Margin should not be considered as an alternative to the measures presented in accordance with Japanese GAAP, as they have important limitations as an analytical tool, because they exclude some, but not all, items that affect our reported profit. Our definitions of EBITDA and EBITDA Margin may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their utility. The table below sets forth a reconciliation of our profit before income taxes to EBITDA and EBITDA Margin for the periods indicated.

	For the year ended March 31,			
	2013	2014	2015	2016
	(in millions of yen, except for percentages)			
Reconciliation of EBITDA:				
Profit before income taxes	¥ 80,126	¥138,133	¥170,827	¥275,218
Add: Interest expenses	14,508	16,023	15,876	11,029
Deduct: Gain on sales of shares of subsidiaries ⁽¹⁾	—	—	—	(89,819)
Deduct: Interest income	(9,071)	(11,205)	(12,357)	(1,385)
Deduct: Dividends income	(21,084)	(38,602)	(52,955)	(65,015)
Add: Depreciation and amortization	90,756	111,826	127,463	150,011
EBITDA⁽²⁾	<u>¥155,234</u>	<u>¥216,175</u>	<u>¥248,854</u>	<u>¥280,038</u>
EBITDA Margin (% of net sales) ⁽²⁾	9.6%	10.8%	11.5%	12.5%

Notes:

(1) Recognized as extraordinary income.

(2) For the year ended March 31, 2016, EBITDA without deducting the extraordinary income of gain on sales of shares of subsidiaries was ¥369,857 million and EBITDA Margin on the same basis was 16.5%.

Segment EBITDA and Segment EBITDA Margin

Segment EBITDA, which we calculate by adding the depreciation and amortization of goodwill for each business segment to the segment income for each business segment (including inter-segment transactions), and Segment EBITDA Margin, which we calculate by dividing Segment EBITDA by segment net sales (excluding inter-segment transactions), are not financial measures prescribed by Japanese GAAP but are supplemental financial measures that we believe are useful for investors to assess the operating performance and profitability of our individual business segments and to facilitate comparison of the performance of our individual business segments to that of other companies in the same industry and other industries.

Segment EBITDA and Segment EBITDA Margin should not be considered as an alternative to the measures presented in accordance with Japanese GAAP, as they have important limitations as an analytical tool, because they exclude some, but not all, items that affect our reported profit. Our definition of Segment EBITDA and Segment EBITDA Margin may not be comparable to similarly titled measures of other companies in our industry, which may define these or similarly titled measures differently, thereby diminishing their utility. The table below sets forth a reconciliation of our Segment EBITDA and Segment EBITDA Margin for the various reporting segments for the periods indicated.

	For the year ended March 31,			
	2013	2014	2015	2016
(in millions of yen, except for percentages)				
Reconciliation of Segment EBITDA:				
Automobile:				
Automobile segment income ⁽¹⁾	¥29,411	¥ 35,175	¥ 35,957	¥ 33,348
Add: Automobile segment depreciation	39,174	42,147	48,498	53,473
Add: Automobile segment amortization of goodwill.....	134	2	—	—
Automobile Segment EBITDA	<u>¥68,720</u>	<u>¥ 77,324</u>	<u>¥ 84,455</u>	<u>¥ 86,822</u>
Automobile Segment EBITDA Margin (% of Automobile segment net sales ⁽²⁾)	8.0%	7.7%	8.0%	8.3%
Materials Handling Equipment:				
Materials Handling Equipment segment income ⁽¹⁾	¥38,746	¥ 58,006	¥ 68,843	¥ 87,143
Add: Materials Handling Equipment segment depreciation	34,050	48,848	55,699	75,322
Add: Materials Handling Equipment segment amortization of goodwill.....	2,024	4,133	4,840	5,648
Materials Handling Equipment Segment EBITDA	<u>¥74,821</u>	<u>¥110,988</u>	<u>¥129,383</u>	<u>¥168,114</u>
Materials Handling Equipment Segment EBITDA Margin (% of Materials Handling Equipment segment net sales ⁽²⁾)	12.5%	13.7%	14.0%	16.3%
Textile Machinery:				
Textile Machinery segment income ⁽¹⁾	¥ 586	¥ 5,597	¥ 2,699	¥ 4,115
Add: Textile Machinery segment depreciation	2,239	2,543	3,595	3,309
Add: Textile Machinery segment amortization of goodwill.....	1,325	2,153	2,690	2,230
Textile Machinery Segment EBITDA	<u>¥ 4,151</u>	<u>¥ 10,294</u>	<u>¥ 8,985</u>	<u>¥ 9,655</u>
Textile Machinery Segment EBITDA Margin (% of Textile Machinery segment net sales ⁽²⁾)	10.4%	14.1%	13.2%	14.7%
Logistics:				
Logistics segment income ⁽¹⁾	¥ 4,834	¥ 5,194	¥ 6,224	¥ —
Add: Logistics segment depreciation	7,553	8,005	8,145	—
Add: Logistics segment amortization of goodwill	3,271	3,309	3,310	—
Logistics Segment EBITDA	<u>¥15,659</u>	<u>¥ 16,510</u>	<u>¥ 17,680</u>	<u>¥ —</u>
Logistics Segment EBITDA Margin (% of Logistics segment net sales ⁽²⁾)...	16.8%	17.3%	18.0%	—%
Others:				
Others segment income ⁽¹⁾	¥ 3,350	¥ 3,422	¥ 3,778	¥ 9,393
Add: Others segment depreciation	981	682	683	7,537
Add: Others segment amortization of goodwill.....	—	—	—	2,489
Others Segment EBITDA	<u>¥ 4,331</u>	<u>¥ 4,105</u>	<u>¥ 4,462</u>	<u>¥ 19,420</u>
Others Segment EBITDA Margin (% of Others segment net sales ⁽²⁾).....	15.9%	17.5%	18.0%	19.4%

Notes:

(1) Segment income includes inter-segment transactions.

(2) Segment net sales exclude inter-segment transactions.

Net Debt and Net Debt to EBITDA Ratio

Net Debt, which we calculate as the aggregate of short-term loans payable, commercial papers, current portion of bonds, bonds payable, long-term loans payable less cash and deposits and short-term investments, and Net Debt to EBITDA Ratio are not financial measures prescribed by Japanese GAAP but are supplemental financial measures that we believe are useful for investors to analyze our leverage and our ability to service and repay debt.

The following table provides a calculation of our Net Debt, as well as our Net Debt to EBITDA Ratio, for the periods indicated.

	For the year ended March 31,			
	2013	2014	2015	2016
	(in millions of yen, except for ratios)			
Reconciliation of Net Debt:				
Short-term loans payable	¥ 183,920	¥ 120,058	¥ 99,736	¥ 170,844
Commercial papers	30,224	20,524	—	—
Current portion of bonds	4,499	29,139	47,053	19,999
Bonds payable	213,584	212,128	185,998	191,555
Long-term loans payable	236,318	323,400	421,154	508,593
Deduct: Cash and deposits	(230,348)	(226,383)	(247,273)	(352,302)
Deduct: Short-term investments	(33,047)	(46,012)	(34,085)	(10,871)
Net Debt	<u>¥ 405,151</u>	<u>¥ 432,855</u>	<u>¥ 472,583</u>	<u>¥ 527,819</u>
EBITDA⁽¹⁾	<u>¥ 155,234</u>	<u>¥ 216,175</u>	<u>¥ 248,854</u>	<u>¥ 280,038</u>
Net Debt to EBITDA Ratio⁽¹⁾	<u>2.6x</u>	<u>2.0x</u>	<u>1.9x</u>	<u>1.9x</u>

Note:

(1) For the year ended March 31, 2016, EBITDA without deducting the extraordinary income of gain on sales of shares of subsidiaries was ¥369,857 million and Net Debt to EBITDA Ratio on the same basis was 1.4x.

Free Cash Flow and Adjusted Free Cash Flow

Free Cash Flow, which we calculate by deducting net cash used in investing activities from net cash provided by operating activities, and Adjusted Free Cash Flow, which we calculate by deducting payments for purchases of property, plant and equipment from net cash provided by operating activities, are not financial measures prescribed by Japanese GAAP but are supplemental financial measures that we believe are useful for investors to facilitate the analysis of our cash needs and our ability to generate cash from our ongoing operations and service and repay debt. We believe that Free Cash Flow is useful in evaluating our ability to generate cash from our operations and our cash needed for investing activities such as capital expenditures, acquisitions and other activities. In addition to Free Cash Flow, we believe that Adjusted Free Cash Flow is useful in evaluating our ability to generate cash from our operations after taking into account capital expenditures but excluding our cash needs relating to other investing activities such as payments and withdrawals of bank deposits and acquisitions, which may not be indicative of our ability to generate cash from our ongoing operations.

The table below sets forth a reconciliation of our net cash provided by operating activities to Free Cash Flow and Adjusted Free Cash Flow for the periods indicated.

	For the year ended March 31,			
	2013	2014	2015	2016
	(in millions of yen)			
Reconciliation of Free Cash Flow:				
Net cash provided by operating activities	¥ 151,299	¥ 155,059	¥ 182,191	¥ 240,169
Deduct: Net cash used in investing activities	(274,210)	(118,483)	(160,769)	(531,561)
Free Cash Flow	<u>¥(122,911)</u>	<u>¥ 36,575</u>	<u>¥ 21,421</u>	<u>¥(291,392)</u>
Reconciliation of Adjusted Free Cash Flow:				
Net cash provided by operating activities	¥ 151,299	¥ 155,059	¥ 182,191	¥ 240,169
Deduct: Payments for purchases of property, plant and equipment	(112,430)	(131,672)	(169,842)	(152,943)
Adjusted Free Cash Flow	<u>¥ 38,869</u>	<u>¥ 23,386</u>	<u>¥ 12,349</u>	<u>¥ 87,225</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and related notes included elsewhere in this offering circular. Unless otherwise specified, financial information presented herein is on a consolidated basis. Our financial statements are prepared in conformity with IFRS, which differs in certain significant respects from accounting principles generally accepted in other jurisdictions, including Japan and the United States. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions, and are subject to the qualifications set forth under "Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those set forth under "Risk Factors" and elsewhere in this offering circular.

Overview

We are a global manufacturing company based in Japan with operations around the world. We are primarily engaged in the development, production and sale of materials handling equipment, vehicles, automobile parts and textile machinery as well as the provision of related after sales and other services. We are the original founding company of the Toyota Group and Toyota Motor with an operating history of over 90 years and continue to be one of the core members of the Toyota Group. Our strong relationship with the Toyota Group has supported our continued expansion in our core businesses and remains one of our key competitive advantages. See "Historical Background and Relationship with the Toyota Group."

We report our financial information in the following four business segments:

- *Automobile.* In our Automobile segment, we manufacture automobile parts, such as engines and engine parts, car air-conditioning compressors and electronic components, which we use to assemble vehicles or sell to Toyota Motor, DENSO and other automobile companies. We also assemble the TOYOTA Vitz vehicle model (sold under the name Yaris outside of Japan) for Toyota Motor as well as the TOYOTA RAV4 vehicle model for sale by Toyota Motor in markets outside Japan. We sell all of our car air-conditioning compressors, our largest product category in the segment, to DENSO, which resells such compressors to various automobile manufacturers and other customers or incorporates them into its car air-conditioning systems. In addition, we also sell all of our vehicles automotive engines to Toyota Motor and Aisin and sell automobile parts to other Toyota Group companies and third-party automobile manufacturers. In the year ended March 31, 2017, net sales of the Automobile segment totaled ¥562,672 million, or 33.6% of total net sales. Operating profit for our Automobile segment for the same period was ¥24,964 million, or 19.6% of total operating profit.
- *Materials Handling Equipment.* In our Materials Handling Equipment segment, we develop, manufacture and sell a wide range of materials handling vehicles and equipment and provide logistics solutions. Our primary product in the Materials Handling Equipment segment is lift trucks, which we sell to customers around the world in a variety of industries under the TOYOTA, BT, RAYMOND and CESAB brands. We also provide logistics solutions such as fleet management systems that allow our customers to streamline the management of their existing fleets and increase the efficiency of their logistics operations as well as after sales services and sales financing for our products. In the year ended March 31, 2017, net sales of the Materials Handling Equipment segment totaled ¥988,148 million, or 59.0% of total net sales, and the segment was the largest of our four segments in terms of net sales. Operating profit for our Materials Handling Equipment segment for the same period was ¥89,475 million, or 70.3% of total operating profit.
- *Textile Machinery.* In our Textile Machinery segment, which is our original business, we develop, manufacture and sell textile machinery, including spinning machinery and weaving machinery, which we sell to customers around the world. In the year ended March 31, 2017, net sales of the Textile Machinery segment totaled ¥66,288 million, or 4.0% of total net sales. Operating profit for our Textile Machinery segment for the same period was ¥6,868 million, or 5.4% of total operating profit.
- *Others.* The Others segment represents businesses not included in our other segments and primarily comprises certain land transportation services. In the year ended March 31, 2017, net sales of the

Others segment totaled ¥58,039 million, or 3.4% of total net sales. Operating profit for our Others segment for the same period was ¥6,051 million, or 4.7% of total operating profit.

We operate through subsidiaries and affiliates, some of which have been formed as the result of strategic acquisitions or joint ventures. As at December 31, 2017, we had 256 consolidated subsidiaries and 24 affiliates accounted for by the equity method.

Our operations are global in scope, and we generate net sales from the development, production and sale of our products in a variety of regions. Since establishing manufacturing operations for lift trucks in the United States in 1988, we have expanded our operations on a global scale, particularly in the Materials Handling Equipment business.

The following table sets forth the amount and proportion of net sales to outside customers by geographic region:

	For the year ended March 31,				For the nine-month period ended December 31,			
	2016		2017		2016		2017	
	(in millions of yen, except for percentages)							
Net sales ⁽¹⁾ :								
Japan	¥ 514,046	30.3%	¥ 536,872	32.0%	¥ 394,242	32.1%	¥ 413,350	28.2%
United States.....	499,340	29.4	452,334	27.0	332,754	27.1	416,591	28.4
Other ⁽²⁾	683,470	40.3	685,941	41.0	502,679	40.8	634,745	43.4
Total	¥1,696,856	100.0%	¥1,675,148	100.0%	¥1,229,677	100.0%	¥1,464,686	100.0%

Notes:

(1) Net sales by geographic region presented based on the location of the customer.

(2) Within "Other," the amount and proportion of net sales to customers in Europe, which we define as sales made by our subsidiaries located in Europe, and customers in other regions are as follows:

	For the year ended March 31,				For the nine-month period ended December 31,			
	2016		2017		2016		2017	
	(in millions of yen, except for percentages)							
Europe.....	¥347,825	20.5%	¥346,568	20.7%	¥250,360	20.4%	¥343,220	23.4%
Other regions	335,644	19.8	339,372	20.3	252,319	20.4	291,525	20.0

Factors Affecting Our Financial Results

Factors Affecting Net Sales

Operating Environment in the Materials Handling Equipment Industry

Net sales in our Materials Handling Equipment segment is inherently cyclical. Demand for our products and services is driven by capital investment cycles, which in turn are affected by general levels of economic activity in the industries in which our customers operate as well as overall economic and financial conditions. In addition, changes in global trade, shipping volumes, global supply chains of our customers and trends in the logistics industry as a whole may affect demand for our materials handling equipment and related after sales services.

In recent years, the materials handling equipment market as a whole has continued to expand at a relatively steady pace globally due mainly to increases in unit sales in Europe and North America as well as a recovery in China, while unit sales in Japan have been relatively stable. Growth of the materials handling equipment market has been driven in part by stable economic trends and a relatively positive business environment across many of our major operating markets. In developed countries, increases in unit sales have been slower than emerging countries, with the proportion of electric lift trucks increasing in response to more stringent environmental regulations. In emerging countries, we expect unit sales to continue to expand with a focus on internal combustion lift trucks driven by economic growth and increases in logistics volume. Over the medium to long term, we believe there will be increased demand in emerging countries for higher-quality and higher-performance materials handling equipment.

The rapid expansion of the e-commerce market has also resulted in a number of changes affecting logistics needs, including increases in logistics volumes, the expansion of distribution center sizes and a

movement towards smaller packages and more frequent deliveries. The global increase in air travelers and expansion of airports has also created new demand for materials handling equipment and logistics solutions as airport operators seek to streamline operations to address increasing passenger traffic and baggage volumes. We believe this environment supports continued growth in the materials handling equipment segment and will also result in growing demand for value-added logistics solutions to address larger and more complex logistics operations, faster processing and a growing focus on automation and efficiency. On the other hand, these trends could result in increased demand for smaller lift trucks and equipment and less overall demand for new lift trucks due to increased automation and efficiency in the logistics operations of companies in the e-commerce and other sectors. We also expect that customers will also continue to seek products that cater to growing environmental consciousness and stricter environmental regulations.

Operating Environment in the Automobile Industry

Net sales in our Automobile segment are affected by automotive sales and vehicle production by our customers, which are highly cyclical and sensitive to general economic conditions. In particular, consumer spending and preferences, employment levels, the global credit markets, interest rates and the availability of consumer credit are important factors affecting consumer demand for automobiles. Automotive sales and production can also be affected by economic, social and political conditions including fuel prices, regulatory requirements, government initiatives, trade agreements, the availability of critical components needed to complete the production of vehicles, changing consumer attitudes toward vehicle ownership and usage and other factors in the relevant markets.

In recent years, the automobile market has been expanding at a relatively steady pace in Japan, North America and Europe, as well as in certain developing countries such as China, which has contributed to increases in net sales of our Automobile segment. This trend has been supported by relatively stable economic conditions supporting positive consumer spending trends in many developed economies and developing countries. In addition, in light of increasingly stringent regulations relating to fuel efficiency standards and vehicle emissions and a general increase in environmental awareness in the industry, automobile manufacturers are focused on designing more environmentally friendly vehicles. Toyota Motor, for example, recently announced that all of its vehicle models will be a dedicated electric model or have an electric option by around 2025. We are currently considering opportunities to further develop our battery technology for use in electric vehicles, including through potential participation in the joint development of electric vehicle batteries recently announced by Toyota Motor and Panasonic Corporation.

Due to this industrywide focus on the environmental impact of automobiles, we have seen increased demand for automobile engines and components that can increase fuel efficiency and reduce emissions for traditional internal combustion vehicles as well as increased demand for components for electric, hybrid and fuel cell vehicles, and we expect this trend to continue. For example, in the car air-conditioning compressors business, we expect that demand for variable-displacement compressors, which have higher fuel efficiency than fixed-displacement compressors, as well as electric compressors used in electric, hybrid and fuel cell vehicles will continue to grow.

Sales to Toyota Motor, DENSO and Toyota Group Companies

A significant portion of our net sales in our Automobile segment are to Toyota Group companies. DENSO is our single largest customer and together with its subsidiaries accounted for ¥338,323 million, or 20.2%, of our consolidated net sales for the year ended March 31, 2017. Our relationship with DENSO is critically important to our car air-conditioning compressor business, which is one of our key growth drivers. We sell all of our car air-conditioning compressors to DENSO, and DENSO in turn resells them to various automobile manufacturers and other customers or uses them to produce air-conditioning systems installed into TOYOTA brand vehicles and vehicles sold by other automobile manufacturers. Toyota Motor has also historically been one of our largest customers and together with its subsidiaries accounted for ¥205,938 million, or 12.3%, of our consolidated net sales for the year ended March 31, 2017. We manufacture automotive engines for certain models of TOYOTA brand vehicles for Toyota Motor and also assemble the TOYOTA Vitz and TOYOTA RAV4 vehicle models. In addition, we sell other components and products to Toyota Group companies that supply to Toyota Motor, including Aisin and Toyota Tsusho. Accordingly, product sales in our Automobile segment fluctuate depending on vehicle production levels of Toyota Motor, which in turn depend on the success of Toyota Motor and other Toyota Group companies. Further, we supply specific components for particular vehicle models and assemble specific models of TOYOTA brand vehicles, and our net sales are affected as demand for the models for which we act as a supplier increases or decreases.

Product Pricing

Our product pricing has a direct impact on our net sales as well as our margins. We are subject to pricing pressure in our businesses from our customers and also from other competitors. In particular, customers in the automotive industry have historically possessed significant leverage over suppliers because the automotive component supply industry is fragmented and serves a limited number of automotive manufacturers. To the extent that we agree to price reductions and are unable to offset such reductions with equivalent cost savings, our margins and overall profitability would decline.

Factors Affecting Expenses

Raw Materials and Energy Costs

We source a broad range of materials and components, including steel, rubber, aluminum and other metals, petroleum-based resins, chemicals, electronic components and semiconductors, from a variety of third-party suppliers and require a reliable supply of energy to manufacture our products. Changes in the price of raw materials and components that we use in our products or in energy costs have a direct impact on our cost of sales and margins. Although we have contractual arrangements with our suppliers in order to secure a stable supply of key raw materials and components, any significant disruption in the supply of these materials and components could increase our costs if we are forced to rely on more costly supply alternatives. See “Business—Our Suppliers.”

Personnel Expenses

Our personnel expenses are a significant component of our cost of sales and selling, general and administrative expenses. Personnel expenses fluctuate based on overall compensation levels of our workforce, which are driven by wage levels in our major operating markets and wage negotiations with labor unions.

Depreciation and Amortization

We recognize depreciation on a straight-line basis on our plant, property and equipment and amortization on a straight-line basis on intangible assets with finite useful lives. Depreciation increases when we engage in capital expenditures or acquire additional plant, property and equipment in connection with business combinations. Amortization increases when we acquire intangible assets through business combinations, internal development or purchases of software or other intangible assets. Depreciation and amortization decrease when assets subject to depreciation or amortization become fully depreciated or amortized.

Research and Development Expenses

Our research and development expenses can fluctuate based on our research and development programs for new products and services. To the extent we need to engage in large-scale research and development activities in response to new or changing technologies, our research and development expenses could increase substantially for the duration of the relevant activities. We expect our research and development expenses to remain at their current level or increase in the future as we focus on developing environmentally conscious products. See “Business—Research and Development.”

Mix of Products and Services

The mix of our products and services sold during a particular period can affect our margins and overall profitability. Our product pricing and margins can vary depending on the product type, market and customer, particularly as the pricing for many of our products is subject to individual negotiation with customers. For example, in our Automobile business, sales of automobile parts such as car air-conditioning compressors tend to have higher margins than assembling vehicles. In our Materials Handling Equipment business, after sales services tend to be more profitable than sales of new equipment, and margins on new equipment sales can also vary based on the type of equipment.

Currency Fluctuations

In the year ended March 31, 2017, 68.0% of our net sales were from outside of Japan, and we expect that a significant portion of our net sales will continue to be generated in foreign currencies from customers outside of Japan as we continue to expand our businesses globally. Because our consolidated financial statements

are presented in yen, our recorded consolidated net sales, profit, assets and equity are affected by prevailing rates of exchange when the financial statements of our foreign subsidiaries presented in a reporting currency other than yen are translated into yen. Specifically, assets and liabilities of such foreign subsidiaries are translated at the prevailing exchange rate at the end of the reporting period and income and expenses of such foreign subsidiaries are generally translated at the average prevailing exchange rate during the fiscal period.

Our financial results are negatively impacted when the yen appreciates against the U.S. dollar and the euro. In addition, while we manufacture many of our products, including a large portion of Materials Handling Equipment and Automobile products, locally in the markets where such products are sold, resulting in production costs largely denominated in the same currency as our sales, a certain portion of our production costs are denominated in yen for products that we sell outside Japan in other currencies, principally the U.S. dollar and euro.

For a quantitative analysis of the effect of changes in foreign currency exchange rates, see Note 29 to our audited consolidated financial statements as of and for the year ended March 31, 2017 included elsewhere in this offering circular.

We use foreign currency forward contracts to hedge against the impact of fluctuations in foreign exchange. See “—Quantitative and Qualitative Disclosure About Market Risk—Foreign Currency Risk.”

Trading Price and Dividends of Shares in Toyota Motor, DENSO and Toyota Group Companies

As part of our efforts to maintain close relationships with Toyota Motor, DENSO and other Toyota Group companies, we hold a significant amount of shares of these companies, and these companies in turn hold a significant amount of the issued shares of our common stock. As of December 31, 2017, we held ¥2,627.9 billion in stock, which primarily included ¥1,673.6 billion of shares in Toyota Motor, ¥469.1 billion of shares in DENSO, ¥178.5 billion of shares in Toyota Tsusho and ¥131.1 billion of shares in Aisin. We account for these shares as financial assets measured at fair value through other comprehensive income, or FVTOCI. Under IFRS, fluctuations in price of FVTOCI financial assets are recorded as other comprehensive income and are not included in our statement of profit or loss. For example, a 1% decline in the price of all of the publicly listed shares we held as of the same date would have resulted in a decrease in our other comprehensive income (before adjusting tax effect) of ¥19,056 million and ¥20,499 million for the year ended March 31, 2016 and 2017, respectively, and would reduce the value of pension assets and lead to an increase in the pension shortfall.

We also derive significant dividend income from equity securities, which primarily include shares in Toyota Motor, DENSO and other Toyota Group companies. As a result, our profit is affected by the level of dividends paid by the Toyota Group companies in which we hold shares, which in turn is affected by the earnings and dividend policies of those companies. Dividends from these equity securities are recognized as financial income. For the years ended March 31, 2016 and 2017, dividend income was ¥65,012 million and ¥61,865 million, respectively.

Acquisitions and Divestitures

A key strategy that we have implemented over the years is to reduce reliance on our automobile-related businesses through selective acquisitions aimed at diversifying our business portfolio. Our historical acquisitions have been a key factor in the growth of our net sales, particularly in our Materials Handling Equipment business. Our recent acquisitions include:

- In 2017, we acquired Bastian, a materials handling systems integrator based in the United States, for ¥29,648 million in cash consideration, and Vanderlande, a materials handling systems provider based in the Netherlands, for ¥144,639 million in cash consideration. We acquired these two companies in order to enhance our ability to provide total logistics solutions to our customers.
- In 2015, we acquired a 55% interest majority stake in LT Material Handling Holding Pte. Ltd., a new company that acquired the lift truck division of Tailift Co., Ltd., a Taiwanese company focused on the development, production and sales of lift trucks and machine tools in Taiwan and China, for approximately ¥10,000 million in cash consideration.
- In 2015, Toyota Industries Commercial Finance, Inc., our newly established subsidiary, acquired the sales finance business for materials handling equipment from Toyota Motor Credit Corporation, a finance subsidiary of Toyota Motor, for ¥277,643 million in cash consideration in order to strengthen our sales finance capabilities.

We have also engaged in divestitures of businesses as part of refocusing our business portfolio, such as our recent sale of Asahi Security Co., Ltd. for ¥81.0 billion, and Wanbishi Archives Co., Ltd. for ¥86.0 billion, which have had the opposite result of reducing our net sales. For more information on our historical acquisitions and divestitures, see “Historical Background and Relationship with the Toyota Group—Our History.”

We periodically review our business portfolio in light of the changing global business environment and make strategic decisions to acquire or divest businesses. In the ordinary course of business, we regularly consider additional acquisitions, investments in other companies, joint ventures or similar arrangements and execute such transactions if suitable conditions are met. For substantial capital needs related to acquisitions, we may utilize debt financing, primarily borrowings from financial institutions or the issuance of bonds or notes, as appropriate. Additional acquisitions may impact our results of operations not only through increasing our net sales base but also by allowing us to achieve cost savings across our operations and increasing our financing costs to the extent that we fund acquisitions through additional borrowings.

Adoption of IFRS

We adopted IFRS for financial reporting purposes from the year ended March 31, 2017, using a transition date of April 1, 2015. Our audited consolidated financial statements as of and for the year ended March 31, 2017, with required comparative information as of the transition date and March 31, 2016 and for the year ended March 31, 2016, and our unaudited condensed quarterly consolidated financial statements as of and for the three-month and nine-month periods ended December 31, 2017, with required comparative information for the three-month and nine-month periods ended December 31, 2016, included elsewhere in this offering circular have been prepared in accordance with IFRS.

Our IFRS accounting policies are provided in Note 3 to our audited consolidated financial statements as of and for the year ended March 31, 2017 included elsewhere in this offering circular. For reconciliations of our Japanese GAAP results to our IFRS results for the year ended March 31, 2016, along with a discussion of principal differences in the key line items, see Note 37 to our audited consolidated financial statements as of and for the year ended March 31, 2017 included elsewhere in this offering circular. For selected financial data for Japanese GAAP as of and for the years ended March 31, 2013, 2014, 2015 and 2016, see “Selected Financial Data and Other Information—Japanese GAAP Selected Financial Data.”

Description of Key Line Items

Net Sales

Net sales consist of revenues generated from the sales of our products and services. We generally recognize net sales when the significant risks and economic values of ownership of the goods have been transferred to the customer, we have neither continuing managerial involvement nor effective control over the goods sold, the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and collectability is certain. The timing of transferring risks and rewards of ownership of goods varies depending on the conditions of individual terms of sales contracts. In general, revenue is recognized when a customer accepts goods after inspection.

The value we recognize as net sales consists of net amounts after reducing rebates, such as incentive discounts offered to distributors, which are estimated and recognized when products are sold.

Cost of Sales and Gross Profit

Cost of sales consists of the cost of producing products and rendering services, including primarily the purchase price of raw materials and goods and the portion of personnel expenses, depreciation and amortization and research and development expenses directly related to generating net sales. Interest costs incurred in financing our sales financing and leasing operations are also recorded as cost of goods sold.

We measure gross profit as our net sales less cost of sales. Gross profit is an important measure of our profitability.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include operating costs that are not included in cost of sales. These expenses include personnel expenses, depreciation and amortization and research and development expenses not included in cost of sales.

Other Income and Expenses

Other income consists primarily of rental fees for fixed assets, gain on sales of fixed assets and other income. Other expenses consist primarily of loss on disposal of fixed assets, loss on sales of fixed assets, depreciation and amortization and other expenses.

Operating Profit

Operating profit is equal to our net sales and other income less our cost of sales, selling, general and administrative expenses and other expenses.

Financial Income

Financial income includes primarily dividend income from our shares of Toyota Motor, DENSO and other Toyota Group companies, interest 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. Dividend income is recognized on the date of vesting.

Financial Expenses

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).

Share of Profit of Investments Accounted for by the Equity Method

Share of profit of investments accounted for by the equity method consists of our share of the profit generated by affiliates in which we invest. As of March 31, 2017, we had 23 affiliates accounted for by the equity method, although no single affiliate was individually significant.

Profit from Discontinued Operations

Profit from discontinued operations are presented together with gain on sales of shares of subsidiaries. In the year ended March 31, 2016, we recognized ¥61,435 million as profit from discontinued operations, which includes profit derived from, gain on sales of shares of Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd., which were divested in December 2015.

Critical Accounting Policies and Estimates

In the preparation of our consolidated financial statements, management makes judgments, estimates and assumptions that affect the carrying amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the end of the reporting period and the amounts of revenue and expenses reported. Judgments made by management in the application of accounting policies have a significant effect on the amounts recognized in the consolidated financial statements.

These judgments are based on the best estimates and assumptions of the management in light of the historical experience and various factors deemed to be reasonable. Given their nature, actual results may differ from those estimates and assumptions. The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change or the period of the change and future periods.

Among the above estimates and assumptions, the following items are those that may have a material effect on the amounts recognized in our consolidated financial statements in future periods:

Business Combinations

Where we acquire control of another business, the cost of the acquisition has to be allocated to the assets, liabilities and other contingent liabilities of the acquired business, with any residual value recorded as goodwill. This process involves management making an assessment of the fair value of these items as well as an assessment regarding whether control exists. Management judgment is particularly involved in the recognition and measurement of the following items at fair value:

- contingencies such as legal and environmental matters;
- contingent consideration arrangements, including earn-outs and options;

- the recoverability of any accumulated tax losses previously incurred by the acquired company; and
- indemnification assets.

In all cases management makes an assessment based on the underlying economic substance of the items concerned, and not only on the contractual terms, in order to fairly present these items. In making these assessments management relies to a significant extent on the work of valuation experts. However, the assessments are highly subjective and sensitive to the assumptions used.

Impairment of Long-lived Assets

We periodically review the carrying value of our long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

Impairment of Goodwill and Other Intangible Assets

Goodwill is measured as the difference between the aggregate of the acquisition-date value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill and other intangible assets are reviewed to determine whether there are any events or changes in circumstances that indicate that there may be impairment. If there are any such events or changes, the relevant goodwill or other intangible assets are tested for impairment. Recoverability of goodwill and other intangible assets is assessed by a comparison between the carrying amount of a cash generating unit to which goodwill or other intangible asset is allocated and the total estimated undiscounted future cash flows generated from the cash generating unit. If the carrying amount exceeds the estimated undiscounted future cash flows, the fair value of goodwill or other intangible asset is estimated and the excess of the carrying amount of goodwill compared to the fair value is recognized as an impairment loss.

Deferred Tax Assets

Income taxes are accounted for by the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, operating loss carryforwards and foreign tax credit carryforwards.

We record a valuation allowance to reduce the deferred tax assets to the amount that we believe is more likely than not to be realized. We consider future taxable income, cumulative pre-tax income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. In the event that we determine that we will not be able to realize all or part of the net deferred tax assets, an adjustment to the deferred tax assets is charged to income in the period such determination is made.

Asset Retirement Obligations

We record obligations associated with the retirement of tangible fixed assets as liabilities when those obligations are incurred, with the amount of the liability initially measured by discounting the future cash flows if a reasonable estimate of such future cash flows can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, we capitalize the associated asset retirement costs as part of the carrying amount of the fixed asset and depreciate the costs over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period and any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. Estimating the present value of asset retirement obligations is inherently uncertain and relies on various assumptions and estimates, which may require revisions as further information becomes available.

Allowance for Employees' Retirement Benefits

We have a retirement plan which provides for lump-sum payment and annuity. Upon retirement age, a regular employee is entitled to receive a lump-sum payment and an annuity, or in certain cases at the option of the retiring employee, the full amount of the retirement benefits may be paid in a lump-sum. The retirement benefits are based primarily upon the years of employee's service and monthly pay at the time of retirement. The allowance and expenses for retirement benefits are determined based on pension actuarial calculations. These calculations are dependent on such factors as the discount rate, future compensation levels, employee turnover, mortality rates based on recent statistical data and expected rates or investment return on pension plan assets. If the actual values of these factors vary from their forecast values, or if the assumptions that underlie these values change, regulatory requirements obligate us to record the cumulative impact of these changes going forward. In such a case, we may be impacted by the recognition of such costs or by the recording of such liabilities in the future, on a consolidated basis.

Product Warranties and Recalls

We generally warrant our products against certain manufacturing and other defects. Provisions for product warranties are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product, the geographic location of the sale and other factors. All product warranties are consistent with commercial practices. We include a provision for estimated product warranty costs as a component of cost of sales at the time the related sale is recognized. The accrued warranty costs represent management's best estimate at the time of sale of the total costs that we will incur to repair or replace product parts that fail while still under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience of product failures as well as current information on repair costs. The amount of warranty costs accrued also contains an estimate of warranty claim recoveries to be received from suppliers. The foregoing evaluations are inherently uncertain, as they require material estimates and some products' warranties extend for several years. Consequently, actual warranty costs may differ from the estimated amounts and could require additional warranty provisions. If these factors require a significant increase in our accrued estimated warranty costs, it would negatively affect future results of the automobile and materials handling equipment operations.

New Accounting Standards Not Yet Adopted

Accounting standards and interpretations that we have not yet adopted include IFRS 15, which relates to recognition of revenue of contracts from customers, and IFRS 16, which relates to accounting of lease transactions. We are required to adopt IFRS 15 from the year ending March 31, 2019 and IFRS 16 from the year ending March 31, 2020. While we are currently evaluating the potential impact of adopting IFRS 15 and IFRS 16 on our financial position and business performance, we are unable to estimate such impact as of the date of this offering circular. See also Note 2 to our audited consolidated financial statements as of and for year ended March 31, 2017 included elsewhere in this offering circular.

Results of Operations

The following table shows certain financial data for the periods indicated:

	For the year ended March 31,		For the nine-month period ended December 31,	
	2016	2017	2016	2017
	(in millions of yen)			
Net sales	¥ 1,696,856	¥ 1,675,148	¥1,229,677	¥ 1,464,686
Cost of sales	(1,291,859)	(1,278,378)	(935,634)	(1,119,470)
Gross Profit	404,997	396,769	294,042	345,216
Selling, general and administrative expenses	(266,894)	(268,354)	(197,213)	(243,215)
Other income	10,879	11,411	7,703	20,089
Other expenses	(11,956)	(12,480)	(7,909)	(7,068)
Operating profit	137,026	127,345	96,622	115,022
Financial income	67,264	63,734	64,455	70,421
Financial expenses	(13,536)	(10,067)	(7,809)	(7,832)
Share of profit of investments accounted for by the equity method	632	974	714	931
Profit before income taxes	191,386	181,986	153,983	178,543
Income taxes	(52,865)	(44,420)	(34,814)	(28,138)
Profit from continuing operations	138,521	137,565	119,168	150,405
Profit from discontinued operations	61,435	—	—	—
Profit	¥ 199,956	¥ 137,565	¥ 119,168	¥ 150,405
Profit attributable to owners of the parent	194,270	131,398	113,984	146,166
Profit attributable to non-controlling interests	5,685	6,167	5,184	4,238

Nine-Month Periods Ended December 31, 2016 and 2017

The following table shows outside customer sales, or net sales by business segment (excluding inter-segment transactions), and consolidated net sales for the nine-month periods ended December 31, 2016 and 2017:

	For the nine-month period ended December 31,	
	2016	2017
	(in millions of yen)	
Automobile:		
Car air-conditioning compressors	¥ 248,167	¥ 259,309
Engines	67,004	71,822
Vehicles	52,607	54,291
Electronics parts, foundry and others	46,653	53,184
Total Automobile segment sales	414,433	438,608
Materials Handling Equipment	722,096	932,592
Textile Machinery	49,735	48,764
Others	43,411	44,721
Consolidated net sales	¥1,229,677	¥1,464,686

The following table shows the number of units sold for our main products for the nine-month periods ended December 31, 2016 and 2017:

	For the nine-month period ended December 31,	
	2016	2017
Vehicles (thousands of units):	214	224
TOYOTA RAV4	152	155
TOYOTA Vitz	62	69
Engines (thousands of units):	366	419
Diesel	219	242
Gasoline	147	177
Car Air-Conditioning Compressors (millions of units)	24.3	24.7
Lift Trucks (thousands of units) ⁽¹⁾	186	191
Air-Jet Looms (thousands of units)	5	4

Note:

(1) Excludes sales of lift trucks sold under the TAILIFT brand by LT Material Handling Holding Pte. Ltd.

The following table shows segment profit for each business segment (including inter-segment transactions) and consolidated operating profit for the nine-month periods ended December 31, 2016 and 2017:

	For the nine-month period ended December 31,	
	2016	2017
	(in millions of yen)	
Segment profit:		
Automobile	¥20,012	¥ 27,373
Materials Handling Equipment	65,500	77,296
Textile Machinery	5,722	5,379
Others	5,395	4,986
Total segment profit	¥96,632	¥115,035
Inter-segment transactions	(9)	(13)
Consolidated operating profit	¥96,622	¥115,022

Net Sales

Net sales were ¥1,464,686 million in the nine-month period ended December 31, 2017, an increase of ¥235,009 million, or 19.1%, compared to the same period in the prior year. This increase was due mainly to an increase in net sales in the Materials Handling Equipment segment and the positive impact of currency exchange fluctuation in comparison to the same period in the prior year.

Change in net sales by business segment (excluding inter-segment transactions) was as follows:

- Automobile.** Net sales in the Automobile segment were ¥438,608 million in the nine-month period ended December 31, 2017, an increase of ¥24,175 million, or 5.8%, compared to the same period in the prior year. The increase was primarily due to an increase in sales of car air-conditioning compressors. Within the Automobile segment, net sales attributable to car air-conditioning compressors were ¥259,309 million in the nine-month period ended December 31, 2017, an increase of ¥11,142 million, or 4.5%, compared to the same period in the prior year. The increase was attributable mainly to an increase in unit sales in Japan and China. Net sales attributable to engines were ¥71,822 million in the nine-month period ended December 31, 2017, an increase of ¥4,818 million, or 7.2%, compared to the same period in the prior year. The increase was primarily due to increases in the volume of sales of GD diesel engines. Net sales attributable to vehicles were ¥54,291 million in the nine-month period ended December 31, 2017, an increase of ¥1,684 million, or 3.2%, compared to the same period in the prior year. The increase was primarily due to increases in the volume of sales of TOYOTA Vitz and TOYOTA RAV4. Net sales attributable to electronics parts, foundry and others were ¥53,184 million in the nine-month period ended December 31, 2017, an increase of

¥6,531 million, or 14.0%, compared to the same period in the prior year. The increase was attributable mainly to increases in the volume of sales of electronics parts, foundry and others.

- *Materials Handling Equipment.* Net sales in the Materials Handling Equipment segment were ¥932,592 million in the nine-month period ended December 31, 2017, an increase of ¥210,496 million, or 29.2%, compared to the same period in the prior year. The increase was attributable mainly to the increase in unit sales of lift trucks in North America, Japan and other regions as well as the acquisition of Bastian and Vanderlande in April 2017 and May 2017, respectively, and their contribution as consolidated subsidiaries.
- *Textile Machinery.* Net sales in the Textile Machinery segment were ¥48,764 million in the nine-month period ended December 31, 2017, a decrease of ¥971 million, or 2.0%, compared to the same period in the prior year. The decrease was attributable mainly to a decrease in spinning machinery and weaving machinery units which was partially offset by an increase in sales of textile quality measurement instruments.
- *Others.* Net sales in the Others segment were ¥44,721 million in the nine-month period ended December 31, 2017, an increase of ¥1,310 million, or 3.0%, compared to the same period in the prior year.

Change in net sales by geographic region (presented based on the location of customers) was as follows:

- *Japan.* Net sales to customers in Japan were ¥413,350 million in the nine-month period ended December 31, 2017, an increase of ¥19,108 million, or 4.8%, compared to the same period in the prior year.
- *United States.* Net sales to customers in the United States were ¥416,591 million in the nine-month period ended December 31, 2017, an increase of ¥83,837 million, or 25.2%, compared to the same period in the prior year.
- *Other.* Net sales to customers in the Other geographic areas were ¥634,745 million in the nine-month period ended December 31, 2017, an increase of ¥132,066 million, or 26.3%, compared to the same period in the prior year.

Cost of sales

Cost of sales was ¥1,119,470 million in the nine-month period ended December 31, 2017, an increase of ¥183,836 million, or 19.6%, compared to the same period in the prior year. This increase was due mainly to an increase in net sales.

Gross profit

As a result of the foregoing, gross profit was ¥345,216 million in the nine-month period ended December 31, 2017, an increase of ¥51,174 million, or 17.4%, compared to the same period in the prior year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥243,215 million in the nine-month period ended December 31, 2017, an increase of ¥46,002 million, or 23.3%, compared to the same period in the prior year. This increase was due mainly to an increase in labor costs and research and development costs.

Other income

Other income was ¥20,089 million in the nine-month period ended December 31, 2017, an increase of ¥12,386 million, or 160.8%, compared to the same period in the prior year.

Other expenses

Other expenses were ¥7,068 million in the nine-month period ended December 31, 2017, a decrease of ¥841 million, or 10.6%, compared to the same period in the prior year.

Operating profit

As a result of the foregoing, and the change in our retirement benefit plan in the year ending March 31, 2018, operating profit was ¥115,022 million in the nine-month period ended December 31, 2017, an increase of ¥18,400 million, or 19.0%, compared to the same period in the prior year.

Change in segment profit for each business segment (including inter-segment transactions) was as follows:

- *Automobile.* Segment profit in the Automobile segment in the nine-month period ended December 31, 2017 was ¥27,373 million, an increase of ¥7,361 million, or 36.8%, compared to the same period in the prior year.
- *Materials Handling Equipment.* Segment profit in the Materials Handling Equipment segment in the nine-month period ended December 31, 2017 was ¥77,296 million, an increase of ¥11,796 million, or 18.0%, compared to the same period in the prior year.
- *Textile Machinery.* Segment profit in the Textile Machinery segment in the nine-month period ended December 31, 2017 was ¥5,379 million, a decrease of ¥343 million, or 6.0%, compared to the same period in the prior year.
- *Others.* Segment profit in the Others segment in the nine-month period ended December 31, 2017 was ¥4,986 million, a decrease of ¥409 million, or 7.6%, compared to the same period in the prior year.

Financial income

Financial income was ¥70,421 million in the nine-month period ended December 31, 2017, an increase of ¥5,966 million, or 9.3%, compared to the same period in the prior year. This increase was due mainly to an increase of dividend income.

Financial expenses

Financial expenses were ¥7,832 million in the nine-month period ended December 31, 2017, an increase of ¥23 million, or 0.3%, compared to the same period in the prior year.

Profit before incomes taxes

As a result of the foregoing, profit before income taxes was ¥178,543 million in the nine-month period ended December 31, 2017, an increase of ¥24,560 million, or 15.9%, compared to the same period in the prior year.

Income taxes

Income taxes were ¥28,138 million in the nine-month period ended December 31, 2017, a decrease of ¥6,676 million, or 19.2%, compared to the same period in the prior year, primarily due to the reversal of deferred tax liabilities from depreciation of leased equipment in the United States as a result of the recent U.S. tax reform.

Profit from continuing operations

Profit from continuing operations was ¥150,405 million in the nine-month period ended December 31, 2017, an increase of ¥31,237 million, or 26.2%, compared to the same period in the prior year.

Profit

As a result of the foregoing, profit was ¥150,405 million in the nine-month period ended December 31, 2017, an increase of ¥31,237 million, or 26.2%, compared to the same period in the prior year.

Profit attributable to owners of the parent

Profit attributable to owners of the parent was ¥146,166 million in the nine-month period ended December 31, 2017, an increase of ¥32,182 million, or 28.2%, compared to the same period in the prior year.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests was ¥4,238 million in the nine-month period ended December 31, 2017, a decrease of ¥946 million, or 18.2%, compared to the same period in the prior year.

Years Ended March 31, 2016 and 2017

The following table shows outside customer sales, or net sales by business segment (excluding inter-segment transactions), and consolidated net sales for the years ended March 31, 2016 and 2017:

	For the year ended March 31,	
	2016	2017
	(in millions of yen)	
Automobile segment:		
Car air-conditioning compressors	¥ 342,992	¥ 334,744
Engines	78,627	90,062
Vehicles	70,180	73,133
Electronics parts, foundry and others	64,706	64,731
Total Automobile segment sales	556,505	562,672
Materials Handling Equipment segment.....	1,019,438	988,148
Textile Machinery segment	65,684	66,288
Others segment	55,228	58,039
Consolidated net sales	<u>¥1,696,856</u>	<u>¥1,675,148</u>

The following table shows the number of units sold for our main products for the years ended March 31, 2016 and 2017:

	For the year ended March 31,	
	2016	2017
Vehicles (thousands of units):	293	307
TOYOTA RAV4.....	201	206
TOYOTA Vitz.....	92	101
Engines (thousands of units):	434	501
Diesel	242	294
Gasoline	192	207
Car Air-Conditioning Compressor (millions of units)	30.4	32.6
Lift Trucks (thousands of units) ⁽¹⁾	239	253
Air-Jet Looms (thousands of units)	6	7

Note:

(1) Excludes sales of lift trucks sold under the TAILIFT brand by LT Material Handling Holding Pte. Ltd.

The following table shows segment profit for each business segment (including inter-segment transactions) and consolidated operating profit for the years ended March 31, 2016 and 2017:

	For the year ended March 31,	
	2016	2017
	(in millions of yen)	
Segment profit:		
Automobile.....	¥ 32,778	¥ 24,964
Materials Handling Equipment	91,719	89,475
Textile Machinery	6,561	6,868
Others.....	5,306	6,051
Total segment profit	¥136,365	¥127,359
Inter-segment transactions	660	(14)
Consolidated operating profit.....	<u>¥137,026</u>	<u>¥127,345</u>

Net Sales

Net sales were ¥1,675,148 million in the year ended March 31, 2017, a decrease of ¥21,708 million, or 1.3%, compared to the prior year. This decrease was due mainly to the negative impact of currency exchange fluctuation.

Change in net sales by business segment (excluding inter-segment transactions) was as follows:

- *Automobile.* Net sales in the Automobile segment in the year ended March 31, 2017 were ¥562,672 million, an increase of ¥6,167 million, or 1.1%, compared to the prior year. The increase was primarily due to the strong sales in Europe, North America, Japan and emerging countries such as China. Within the Automobile segment, net sales attributable to car air-conditioning compressors in the year ended March 31, 2017 were ¥334,744 million, a decrease of ¥8,248 million, or 2.4%, compared to the prior year, which was attributable mainly to the impact of exchange rate fluctuations despite an increase in unit sales globally in Japan, Europe, China, North America and other markets. Net sales attributable to engines in the year ended March 31, 2017 were ¥90,062 million, an increase of ¥11,435 million, or 14.5%, compared to the prior year, which was driven by the sales growth of our newer line of GD diesel engines, which more than offset the sales decrease of our older line of KD diesel engines. Net sales attributable to vehicles in the year ended March 31, 2017 were ¥73,133 million, an increase of ¥2,953 million, or 4.2%, compared to the prior year, due to increases in unit sales of the TOYOTA Vitz and TOYOTA RAV4 and a more favorable vehicle model mix with increased production of hybrid models of the TOYOTA Vitz and TOYOTA RAV4. Net sales attributable to electronics parts, foundry and others in the year ended March 31, 2017 were ¥64,731 million, representing a slight increase of ¥25 million from the prior year.
- *Materials Handling Equipment.* Net sales in the Materials Handling Equipment segment in the year ended March 31, 2017 were ¥988,148 million, a decrease of ¥31,290 million, or 3.1%, compared to the prior year, which was mainly attributable to the impact of exchange rate fluctuations, which was partially offset by an increase in unit sales from approximately 239,000 to 253,000, or approximately 6.0%, compared to the prior year, primarily as a result of increased unit sales in Europe, Japan and certain other markets.
- *Textile Machinery.* Net sales in the Textile Machinery segment in the year ended March 31, 2017 were ¥66,288 million, an increase of ¥604 million, or 0.9%, compared to the prior year, primarily due to the increase in sales of air-jet looms, which was in part offset by the decrease in sales of weaving machinery.
- *Others.* Net sales in the Others segment in the year ended March 31, 2017 totaled ¥58,039 million, an increase of ¥2,811 million, or 5.1%, compared to the prior year.

Change in net sales by geographic region (presented based on the location of customers) was as follows:

- *Japan.* Net sales to customers in Japan were ¥536,872 million in the year ended March 31, 2017, an increase of ¥22,826 million, or 4.4%, compared to the prior year.
- *United States.* Net sales to customers in the United States were ¥452,334 million in the year ended March 31, 2017, a decrease of ¥47,006 million, or 9.4%, compared to the prior year.
- *Other.* Net sales to customers in the Other geographic areas were ¥685,941 million in the year ended March 31, 2017, an increase of ¥2,471 million, or 0.4%, compared to the prior year.

Cost of sales

Cost of sales was ¥1,278,378 million in the year ended March 31, 2017, a decrease of ¥13,481 million, or 1.0%, compared to the prior year. This decrease in cost of sales was due mainly to cost reduction efforts.

Gross profit

As a result of the foregoing, gross profit was ¥396,769 million in the year ended March 31, 2017, a decrease of ¥8,228 million, or 2.0%, compared to the prior year.

Selling, general and administrative expenses

Selling, general and administrative expenses were ¥268,354 million in the year ended March 31, 2017, an increase of ¥1,460 million, or 0.5%, compared to the prior year. This increase was due mainly to an increase in labor cost and expenses, which was partially offset by a decrease in depreciation expenses in connection with the sale of shares of Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd.

Other income

Other income was ¥11,411 million in the year ended March 31, 2017, an increase of ¥532 million, or 4.9%, compared to the prior year. This increase was due mainly to an increase in gain on sales of fixed assets.

Other expenses

Other expenses were ¥12,480 million in the year ended March 31, 2017, an increase of ¥524 million, or 4.4%, compared to the prior year. This increase was due mainly to increase in loss on disposal of fixed assets.

Operating Profit

As a result of the foregoing, operating profit was ¥127,345 million in the year ended March 31, 2017, a decrease of ¥9,681 million, or 7.1%, compared to the prior year.

Change in segment profit for each business segment (including inter-segment transactions) was as follows:

- *Automobile.* Segment profit in the Automobile segment in the year ended March 31, 2017 was ¥24,964 million, a decrease of ¥7,814 million, or 23.8%, compared to the prior year. While net sales in the Automobile segment increased in the year ended March 31, 2017 compared to the prior year for the reasons described above, segment profit in this segment decreased due to the negative impact of currency exchange rate fluctuations on profit attributable to car air-conditioning compressors and initial costs associated with new manufacturing operations for diesel engines.
- *Materials Handling Equipment.* Segment profit in the Materials Handling Equipment segment in the year ended March 31, 2017 was ¥89,475 million, a decrease of ¥2,244 million, or 2.4%, compared to the prior year.
- *Textile Machinery.* Segment profit in the Textile Machinery segment in the year ended March 31, 2017 was ¥6,868 million, an increase of ¥307 million, or 4.7%, compared to the prior year.
- *Others.* Segment profit in the Others segment in the year ended March 31, 2017 was ¥6,051 million, an increase of ¥745 million, or 14.0%, compared to the prior year.

Financial income

Financial income was ¥63,734 million in the year ended March 31, 2017, a decrease of ¥3,530 million, or 5.2%, compared to the prior year. This decrease was due mainly to a decrease in dividend income from shares of Toyota Group companies.

Financial expenses

Financial expenses were ¥10,067 million in the year ended March 31, 2017, a decrease of ¥3,469 million, or 25.6%, compared to the prior year. This decrease was due mainly to a decrease in interest expenses and interest on bonds and currency fluctuations.

Profit before income taxes

As a result of the foregoing, profit before income taxes was ¥181,986 million in the year ended March 31, 2017, a decrease of ¥9,400 million, or 4.9%, compared to the prior year.

Income taxes

Income taxes were ¥44,420 million in the year ended March 31, 2017, a decrease of ¥8,445 million, or 16.0%, compared to the prior year. This decrease was due primarily to our recording the income from the sale of Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd. during the year ended March 31, 2016 as deductible expenses for the year ended March 31, 2017.

Profit from continuing operations

Profit from continuing operations was ¥137,565 million in the year ended March 31, 2017, a decrease of ¥956 million, or 0.7%, as compared to the prior year.

Profit from discontinued operations

No profit from discontinued operations was recognized in the year ended March 31, 2017, whereas we recorded a profit from discontinued operations of ¥61,435 million in the year ended March 31, 2016 related to the profit attributable to our shares of Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd., which we sold in December 2015. Profit from discontinued operations in the year ended March 31, 2016 reflected primarily a gain on sales of the shares of these subsidiaries as well as operating profit generated by these subsidiaries.

Profit

As a result of the foregoing, profit for the year ended March 31, 2017 was ¥137,565 million in the year ended March 31, 2017, a decrease of ¥62,391 million, or 31.2%, compared to the prior year.

Profit attributable to owners of the parent

Profit attributable to owners of the parent was ¥131,398 million in the year ended March 31, 2017, a decrease of ¥62,872 million, or 32.4%, as compared to the prior year.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests was ¥6,167 million in the year ended March 31, 2017, an increase of ¥482 million, or 8.5%, as compared to the prior year.

Liquidity and Capital Resources

Capital Requirements

Our principal capital and liquidity needs have been for operating cash, capital expenditures, strategic acquisitions and investments, contractual obligations and dividend payments, as well as to prepare for emergency situations such as a global financial crisis.

Operating Cash Requirements

Our financial policy is to ensure sufficient financing and liquidity for our business activities and to maintain a strong financial position. Through the use of current assets, such as cash and cash equivalents and short-term investments, as well as cash flows from operating activities, proceeds from issuance of corporate bonds and loans from financial institutions, we believe that we will be able to provide sufficient funds for working capital to our group companies and to expand existing businesses and develop new projects.

Our significant operating cash requirements are for the purchase of materials, products and other inventories, sales financing activities, salaries and wages, selling costs, research and development, advertising and promotion costs and taxes.

Capital Expenditures

We define capital expenditures as investments made in the acquisition of property, plant and equipment. Our capital expenditures consist mainly of investments to enhance our research and development capabilities for new products and constructing and upgrading our manufacturing facilities to enhance our productivity and strengthen our competitiveness and operations in various business fields. Capital expenditures in the year ended

March 31, 2017 were ¥176,999 million, including expenditures relating to materials handling equipment for lease, or ¥77,393 million excluding such expenditures, and were funded through cash on hand and proceeds from borrowings and issuances of corporate bonds. We monitor our capital expenditures both including and excluding expenditures relating to materials handling equipment for lease because we acquire such equipment solely for the purposes of being leased to customers as part of our sales financing operations.

For the year ended March 31, 2017, our capital expenditures (including expenditures relating to materials handling equipment for lease) by business segment were as follows:

Segment	Capital expenditure for the year ended March 31, 2017 (in millions of yen)
Automobile	¥ 46,661
Materials Handling Equipment	123,923
Textile Machinery	2,733
Others	3,682

For the year ending March 31, 2018, we currently expect our total capital expenditures (excluding expenditures relating to materials handling equipment for lease) to amount to around ¥120 billion, primarily for the Automobile and the Materials Handling Equipment segments.

Strategic Acquisitions and Investments

We regularly consider acquisitions and other investment opportunities that have the potential to support our sustainable profit growth and may be pursued at an appropriate valuation level. We expect to base our consideration of strategic acquisitions and investments on, among other things, our operating environment and financial resources then available. For a description of certain recent significant acquisitions and investments, see “—Factors Affecting Our Financial Results—Acquisitions and Divestitures.”

Debt Service and Repayments

We require significant funds for the service of our outstanding debt. The following table summarizes the debt repayment schedule of our trade payables and other payables, corporate bonds and loans, lease obligations and deposits payable (excluding contractual interest payments), as of March 31, 2017.

As of March 31, 2017							
	Within one year	More than one year but not more than two years	More than two years but not more than three years	More than three years but not more than four years	More than four years but not more than five years	More than five years	Total
(in millions of yen)							
Trade payables and other payables	¥253,431	¥ 707	¥ 2	¥ —	¥ —	¥ —	¥ 254,140
Corporate bonds and loans	324,497	291,673	150,346	82,039	90,441	62,429	1,001,427
Lease obligations ⁽¹⁾ ...	44,192	30,599	21,889	13,805	8,012	2,490	120,988
Deposits payable	30,541	—	—	—	—	—	30,541
Total	¥652,662	¥322,979	¥172,237	¥95,844	¥98,453	¥64,919	¥1,407,098

Note:

(1) For information regarding our lease obligations, see Note 30 to our audited consolidated financial statements as of and for the year ended March 31, 2017 included elsewhere in this offering circular.

Capital Resources

In principle, cash flow generated by our operating activities is used as working capital, including capital expenditures.

In order to raise working capital efficiently, we utilize commercial paper and other short-term loans in addition to long-term loans and offerings of corporate bonds. In addition, our finance subsidiaries, Toyota Industries Finance International AB and Toyota Industries Commercial Finance, Inc., have entered into commitment lines with financial institutions totaling \$560 million, \$500 million of which remained undrawn as of March 31, 2017. Vanderlande, which we acquired in 2017, also continues to maintain its own commitment line which it had entered into prior to our acquisition. We also maintain a Euro medium-term notes program together with Toyota Industries Finance International AB and Toyota Industries Commercial Finance, Inc. for which we act as guarantor for issuances of debt securities by Toyota Industries Finance International AB and Toyota Industries Commercial Finance, Inc.

The following table summarizes our corporate bonds and loans as of the periods indicated:

	<u>As of March 31, 2017</u>		<u>As of December 31, 2017</u>
		<u>Average interest rate⁽¹⁾</u>	
	(in millions of yen)	(in percentages)	(in millions of yen)
Short-term loans payable	¥ 55,211	2.39%	¥ 29,928
Commercial paper	52,508	—	84,196
Long-term loans payable due within one year	193,947	1.46	222,277
Corporate bonds due within one year ⁽²⁾	9,996	—	25,993
Long-term loans payable	405,125	1.49	331,542
Corporate bonds ⁽²⁾	260,765	—	408,481
Total	<u>¥977,554</u>		<u>¥1,102,419</u>

Notes:

- (1) The average interest rate reflects the weighted average interest rate against the balance at the end of the year ended March 31, 2017. With regards to loans payable for which derivative transactions, such as interest rate swaps, are used to avoid interest rate fluctuation risks, calculations are based on the interest rate after hedging by such derivative transactions. The interest rates for corporate bonds are indicated in the summary of the issuance terms of the corporate bonds included in Note 14 to our audited consolidated financial statements as of and for the year ended March 31, 2017 included elsewhere in this offering circular.
- (2) As of March 31, 2017, corporate bonds, including those due within one year, were comprised of ¥255,629 million in domestic bonds and ¥15,133 million from our Euro medium-term note program. As of December 31, 2017, corporate bonds, including those due within one year, were comprised of ¥295,610 million in domestic bonds and ¥138,864 million from our Euro medium-term note program.

With respect to our external borrowings, none of our loan agreements include restrictive financial covenants.

Credit Ratings

Our credit ratings, which reflect each rating agency's opinion of our financial strength, operating performance and ability to meet our obligations are as follows:

Rating Agency	Category	Rating (outlook)
S&P Global Ratings Japan Inc.	Issuer rating	AA- (stable)
Moody's Japan K.K.	Issuer rating	A1 (stable)
Rating and Investment Information, Inc.	Issuer rating	AA (stable)

The ratings are not a recommendation to buy, sell or hold securities. The ratings are subject to revision or withdrawal at any time by the assigning rating agency. Each of the financial strength ratings should be evaluated independently.

Off-Balance Sheet Arrangements

We currently have no material off-balance sheet arrangements.

Cash Flows

The following table shows our cash flow data for the years ended March 31, 2016 and 2017:

	For the year ended March 31,	
	2016	2017
	(in millions of yen)	
Net cash provided by operating activities	¥ 248,049	¥239,094
Net cash used in investing activities	(532,238)	(86,925)
Net cash provided by financing activities	124,495	789
Translation adjustments of cash and cash equivalents	3,386	(1,672)
Net increase (decrease) in cash and cash equivalents	(156,307)	151,286
Cash and cash equivalents at the beginning of period	248,706	92,399
Cash and cash equivalents at the end of period	<u>¥ 92,399</u>	<u>¥243,685</u>

Net cash provided by operating activities during the year ended March 31, 2017 were ¥239,094 million, compared with ¥248,049 million in the prior year. This decrease of ¥8,955 million was primarily due to the absence of profit before income taxes from discontinued operations attributable to Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd., which we sold in December 2015, for the year ended March 31, 2017, partially offset by a decrease in income taxes paid.

Net cash used in investing activities during the year ended March 31, 2017 were ¥86,925 million, compared with ¥532,238 million in the prior year. This decrease of ¥445,313 million was in part due to the increase in proceeds from withdrawals of bank deposits in the year ended March 31, 2017 as compared to the prior year. In addition, net cash used in investing activities in the year ended March 31, 2016 reflected the impact of cash payments of ¥277,643 million for the acquisition of Toyota Industries Commercial Finance, Inc. on October 1, 2015, which was partially offset by proceeds from the sale of shares of Asahi Security Co., Ltd. and Wanbishi Archives Co., Ltd. in December 2015.

Net cash provided by financing activities during the year ended March 31, 2017 were ¥789 million, compared with ¥124,495 million in the prior year. This decrease of ¥123,706 million was primarily due to decreases of financings from short-term loans and long-term loans and an increase in repayments of short-term loans in the year ended March 31, 2017 as compared to the prior year.

Quantitative and Qualitative Disclosure About Market Risk

In the course of our business, we are subject to credit risk, foreign currency risk, interest rate risk, investment securities risk and liquidity risk. For more information, also see Note 29 to our audited consolidated financial statements as of and for the year ended March 31, 2017 contained elsewhere in this offering circular.

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations, resulting in a loss to us. Our main exposure to credit risk is with counterparties, including customers to whom we provide sales financing and leasing. In accordance with internal rules, we strive to promptly identify and reduce concerns about collection status on our receivables and the credit status of the counterparties, and renegotiate transaction terms or move to preserve the receivables. We do not have any significant concentration of credit risk with any single counterparty.

Foreign Currency Risk

We manufacture and sell products to customers around the world in transactions denominated in various currencies and face translation and transaction risks related to the fluctuation of foreign currency exchange rates in the markets where we are active. For the year ended March 31, 2017, 68.0% of our net sales were made to customers located outside of Japan, and we expect this proportion to further increase. Our consolidated financial statements are presented in yen, and by translating the foreign currency financial statements of our foreign subsidiaries into yen, the amounts of our net sales, profit, assets and equity, on a consolidated basis, are affected by prevailing rates of exchange. In particular, we are adversely affected by translation risk when the yen appreciates against the U.S. dollar and the euro. For example, an increase in the value of yen relative to the other currencies that we operate in, including the U.S. dollar and the euro, during the year ended March 31, 2017 was a significant downward factor that contributed to a decrease in consolidated net sales, presented in yen, from the prior fiscal year.

Pursuant to our treasury policy, we utilize certain hedging measures, including currency forward contracts, currency swaps and currency options, with respect to some of our individually significant foreign currency transactions. However, such hedging measures do not cover all of our exposures and, even to the extent they do, they may only delay, or may otherwise be unable to completely eliminate, the impact of fluctuations in foreign currency exchange rates.

Interest Rate Risk

A portion of our outstanding borrowings are subject to floating interest rates. If market interest rates increase, the applicable interest rate on our floating interest rate debt will increase, resulting in an increase in our interest expenses. We use derivative financial instruments such as interest rate swaps as well as asset-liability matching strategies to manage interest rate risk, but such efforts may not fully mitigate the impact of interest rate fluctuations. In addition, with respect to our debt that is subject to fixed interest rates, increases in market interest rates could increase our interest expenses when we refinance such debt.

Investment Security Risk

We hold shares of Toyota Motor, DENSO, other Toyota Group companies and certain other companies that are publicly listed primarily for business relationship purposes and are accordingly exposed to price fluctuation risk with respect to those equity securities. As of March 31, 2017, we held marketable securities with an estimated fair value of ¥2,044,356 million. These securities are accounted for as FVTOCI financial assets. To the extent that the market values of securities decrease, our other comprehensive income and total equity will be adversely affected. We continuously review the status of our holdings of these securities, taking into account relationships with and financial conditions of business partners.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty settling our financial obligations with cash or another financial asset. We manage our liquidity risk by following our cash management plan based on our treasury policy and expect that we will have sufficient cash to settle our financial obligations as they come due. In order to further mitigate this risk, we also maintain a revolving facility.

INDUSTRY

Materials Handling Equipment

In our Materials Handling Equipment business, we operate in a number of market segments of the materials handling equipment industry, including the market for industrial vehicles, such as lift trucks, as well as the logistics solutions market.

Industrial Vehicles and Equipment

Industrial vehicles and equipment comprise motorized vehicles and other equipment designed for use in a variety of logistics functions including the transportation, storage, organization and protection of materials, goods and products throughout the entire cycle of production and end use from manufacturing, storage and distribution to consumption and disposal. Industrial vehicles and equipment include primarily lift trucks as well as other vehicles and equipment such as pallet trucks, towing tractors, reach trucks, order pickers and other logistics and warehouse equipment. The main end customers for industrial vehicles include manufacturers that use industrial vehicles and equipment in their manufacturing and distribution operations as well as operators of warehouses and distribution centers. In addition to the sale of newly manufactured industrial vehicles, after sales services including the sale of spare parts and components and maintenance and repair services also represent a significant segment of this market and provide a key channel through which manufacturers of such vehicles and equipment maintain and improve customer relationships. Sales financing, including the provision of loans for vehicle and equipment purchases as well as vehicle and equipment leasing, has also become an important component of the industrial vehicles and equipment market as end customers increasingly demand more flexible financing options.

As materials handling equipment, including industrial vehicles and equipment, is used broadly across industries for logistics functions, demand for new materials handling equipment as well as related after sales services and sales financing depends primarily on overall growth in capital investment by businesses, which in turn is closely linked to general economic conditions. In recent years, global unit sales of industrial vehicles have shown moderate but stable growth, which has been driven by overall global economic growth, particularly in developing countries. In developed countries, as end customers have become increasingly conscious of the environmental impact of their operations, demand for electric powered vehicles and low emission vehicles has increased and a gradual shift away from internal combustion models is expected to continue.

Logistics Solutions

Logistics solutions in the materials handling equipment industry are solutions that enable customers to streamline and enhance the efficiency of their logistics operations through automated logistics processes, IT solutions such as vehicle fleet management systems and other services. Customers for logistics solutions include enterprises in a variety of industries, including manufacturers, operators of warehouses and distribution centers, retailers, parcel and postal service operators as well as airport operators. Demand for innovative logistics solutions that increase efficiency through automated processes has increased significantly in recent years in response to the rapid growth in the e-commerce market, increasing labor costs and greater demand for shorter delivery times. In particular, the growth of the e-commerce market has resulted in a number of changes to logistics needs, including increases in logistics volumes, the expansion of larger distribution centers and a movement towards smaller packages and more frequent deliveries. In addition, the global increase in air travelers and expansion of airports have also created new demand for logistics solutions in airport logistics operations. We believe this market environment will result in growing demand for value-added logistics solutions to address larger and more complex logistics operations, faster processing and a growing focus on automation and efficiency.

Automobile

Demand for the products in our Automobile business, including vehicles, automobile engines and other automobile parts, is primarily driven by end customer demand for new automobiles. According to data published by the International Organization of Motor Vehicle Manufacturers, the size of the automobile market on a global basis in terms of number of new vehicles sold was approximately 93.9 million units in 2016 and has been growing at an average rate of 3.2% from 2006 to 2016.

The table below shows the key markets and their respective size in terms of the number of new automobiles sold or registered in 2016:

	2016	
	(number of vehicles)	(percentage)
Europe	20,134,829	21.5%
Americas	25,549,212	27.2
Asia/Oceania/Middle East	46,857,884	49.9
Africa	1,314,463	1.4
All countries	93,856,388	100.0%

Source: International Organization of Motor Vehicle Manufacturers

Strong demand for automobiles in China and India as well as in other emerging markets, such as Central and South America, is primarily due to the overall economic growth in those markets. In particular, the automobile market in China has grown significantly over the past decade to become the largest single automobile market in the world. According to International Organization of Motor Vehicle Manufacturers, from 2006 to 2016, the automobile market in China expanded from 7.2 million new vehicles sold or registered in 2006 to 28.0 million new vehicles sold or registered in 2016. In more recent years, economic growth has slowed in some developing countries including countries in Central and South America, which has negatively affected the growth of the automobile sector in those markets. Europe and North America also remain important markets for automobiles. While the automobile sector in Europe and North America experienced downturns as a result of the global financial crisis in 2009, automobile demand in these regions has more recently shown a trend of recovery due to more favorable economic conditions.

The automobile industry has been evolving in response to increasingly stringent regulations on emissions and fuel efficiency. In recent years, all major automobile markets, particularly in Europe and more recently in China, have introduced more stringent emissions standards and other environmental regulations relating to automobiles, and this trend is expected to continue. In response to the increasing focus on the environmental impact of automobiles, manufacturers have accelerated investment in development of technologies for hybrid, plug-in hybrid, electric and fuel cell vehicles. As a result of these trends, in developed countries, automobile demand is expected to shift from internal combustion vehicles to electric powered vehicles, and the production of vehicles with electric powertrains is expected to continue to expand. However, demand for gasoline engines and diesel engines is expected to remain relatively strong in developing countries. In addition, we expect that there will be continued demand for diesel engines for use in commercial vehicles and sports utility vehicles.

The following table sets forth the historical and expected growth trend of vehicle production by powertrain type:

	2010	2011	2012	2013	2014	2015	2016	2017 (E)	2018 (E)	2019 (E)	2020 (E)	2021 (E)	2022 (E)	2023 (E)	2024 (E)	2025 (E)	2026 (E)	2027 (E)	2028 (E)	2029 (E)
	(number of vehicles in millions)																			
Internal Combustion																				
Engine Vehicles	73.3	75.8	79.6	82.7	85.1	86.3	89.8	91.0	90.8	89.6	88.0	86.5	83.3	80.1	75.5	71.5	67.3	64.8	63.3	62.4
Hybrid, Plug-in																				
Hybrid, Electric and																				
Fuel Cell Vehicles ...	1.0	1.1	1.9	2.1	2.3	2.5	3.3	4.1	5.9	9.3	13.8	17.7	22.6	27.3	33.3	38.5	43.6	48.3	51.0	52.9

Source: IHS Automotive Powertrain Forecast Service, December 2017; (E) = estimated by IHS.

As a result of the expected growth in production of vehicles with electric powertrains, demand for components for hybrid, plug-in hybrid, electric and fuel cell vehicles is expected to increase. In addition, due to the continued industry focus on the environmental impact of automobiles, demand for energy-efficient engine parts and other components that contribute to higher vehicle fuel efficiency is also expected to expand. As market trends may evolve differently depending on the market, it is becoming increasingly important for manufacturers to take into account the different needs and characteristics of each market when developing new products.

More recently, the automobile industry has also been impacted by the introduction of automated driving, “internet of things” technologies and the expansion of car sharing services, which has in turn created new challenges for automotive suppliers as they try to adapt these trends. In addition, the competitive landscape has intensified with the entry of new market participants, many of which are outside the traditional automotive supply industry. We expect the automobile industry will continue to change as new technologies and services evolve.

HISTORICAL BACKGROUND AND RELATIONSHIP WITH THE TOYOTA GROUP

Our History

We were originally established as Toyoda Automatic Loom Works, Ltd. in 1926. Upon our establishment, we initially engaged in the manufacture and sale of the “Type G” automatic loom invented by our founder, Mr. Sakichi Toyoda. We subsequently expanded our business into the manufacture of non-loom products such as spinning machinery. In 1933, we established our Automobile Department to develop and manufacture automobiles. In 1937, we formed Toyota Motor Company (currently Toyota Motor Corporation) as a separate company to operate our automobile manufacturing business and acquired approximately 80% of the initially issued shares of Toyota Motor. We transferred all of our assets and employees relating to the Automobile Department to Toyota Motor and have maintained a strong business relationship with Toyota Motor ever since.

As part of our efforts to strengthen and diversify our business, we began production of automobile engines and assembly of vehicles in 1953 and the production of lift trucks in 1956. In 1960, we further expanded our automobile parts business by entering into production of car air-conditioning compressors. As Toyota Motor’s automobile production increased, we increased our automobile parts production to supply to Toyota Motor and our automobile parts production business expanded into one of our primary businesses.

In 1988, we began taking steps to become a global company through the establishment of Toyota Industrial Equipment Manufacturing, Inc., a joint venture with Toyota Motor in the United States focused on manufacturing materials handling equipment. We further expanded our materials handling equipment business into overseas markets through our establishment of Toyota Industrial Equipment, S.A. (currently Toyota Material Handling Manufacturing France SAS), a joint venture in France with Toyota Motor and Manitou B.F., in 1995. In our automobile parts business, we expanded production of car air-conditioning compressors into overseas markets through our establishment of Michigan Automotive Compressor, Inc. in 1989 as a joint venture with DENSO, and TD Deutsche Klimakompressor GmbH in 1998 as a joint venture in Germany with DENSO. We also began expanding production of textile machinery outside Japan during the 1990s.

In 2000, we began pursuing the targeted expansion of our business through strategic acquisitions with our acquisition of BT Industries AB (currently Toyota Material Handling Europe AB), a leading manufacturer of warehouse equipment based in Sweden. In our Materials Handling Equipment business, Toyota Motor transferred its industrial equipment sales division to us in 2001, allowing us to integrate these sales operations with our materials handling equipment manufacturing operations. We further expanded our Materials Handling Equipment business through the acquisition in 2013 of Cascade Corporation, a leading manufacturer of lift truck attachments based in the United States, and the acquisition in 2015 of a 55% interest in LT Material Handling Holding Pte. Ltd., a new company that acquired the lift truck division of Tailift Co., Ltd., a lift truck and machine tools maker based in Taiwan. In addition, we strengthened our sales finance capabilities by acquiring the sales finance business for materials handling equipment from Toyota Motor Credit Corporation, a finance subsidiary in the United States of Toyota Motor, in 2015 and commenced operations through our subsidiary, Toyota Industries Commercial Finance, Inc. In 2017, we acquired Bastian, a materials handling systems integrator based in the United States, and Vanderlande, a materials handling systems provider based in the Netherlands, in order to enhance our ability to provide total logistics solutions to our customers. In 2018, we commenced operations of Toyota Material Handling (Thailand) Co., Ltd., a joint venture with Toyota Tsusho aimed at enhancing our Materials Handling Equipment business in the Mekong region. In our Automobile business, we and Toyota Motor determined to consolidate joint diesel engine development and production under our control starting in 2014. In our Textile Machinery business, we acquired Uster Technologies UG, a leading manufacturer of yarn quality measurement and cotton classification instruments for the textile industry based in Switzerland, in 2012.

In addition, as part of our efforts to concentrate our business portfolio on our core business areas, we have also taken steps to dispose of non-core businesses. For example, we have taken steps to reposition our electronics-related businesses to focus on car electronics through the sale of our interest in joint ventures with Sony Corporation relating to the development of display panels for mobile devices in 2007 as well as the dissolution of our joint venture with Ibiden Co., Ltd. relating to the production of semiconductor package substrates in 2012. In addition, in 2015, we sold Asahi Security Co., Ltd., which operated a cash collection and delivery and cash proceeds management business, and Wanbishi Archives Co., Ltd., which operated a data storage, management, collection and delivery business.

Relationship with Toyota Group Companies

In light of our history as the original founding company of the Toyota Group, we have historically maintained a close ongoing relationship with Toyota Motor and other companies affiliated with Toyota Motor, as described in more detail below. We have focused on developing a long-term relationship with Toyota Motor and its related companies based on a strong foundation of communication and trust, which helps us and other Toyota Group companies maintain a group-wide supplier system that is compatible across companies to achieve high-quality control. Through our relationship with the other Toyota Group companies, we aim on maintaining and strengthening an effective automobile supplier alliance by jointly developing products and sharing information, and closely coordinating on key production issues such as quality control.

We believe that maintaining a strong relationship with Toyota Motor and other Toyota Group companies is an important part of our business strategy, and that the continued success of the Toyota Group will contribute to the overall growth of our business. As discussed further below, we hold shares of the common stock of a number of Toyota Group companies, which also hold shares of our common stock. Moreover, as of March 31, 2017, 45.3% of the issued shares of our common stock were held by certain Toyota Group companies which we consider to be the principal members of the Toyota Group. These strategic shareholdings are a key component of, and reinforce, our relationships within the Toyota Group.

For risks related to our relationship with Toyota Motor and other Toyota Group companies, see “Risk Factors—Risks Related to Our Business—A significant portion of our net sales is to Toyota Motor, DENSO and other Toyota Group companies, and our business, financial condition and results of operations may be adversely impacted if there is any decline or adverse development in the production levels, business, financial condition and results of operations of such Toyota Group companies.”

Relationship with Toyota Motor

Toyota Motor is the largest automobile manufacturer in Japan and one of the largest automobile manufacturers in the world in terms of the number of vehicles sold. We have historically maintained a close relationship with Toyota Motor since it became an independent company in 1937. We continue to have strong ongoing business relationships with Toyota Motor in a number of areas, including our assembly of certain automobiles for Toyota Motor and production of automobile engines and other parts for Toyota Motor. Toyota Motor is our second largest direct customer, with sales to Toyota Motor and its subsidiaries for the years ended March 31, 2016 and 2017 accounting for 11.7% and 12.3% of our consolidated net sales, respectively. As discussed above under “—Our History,” we have also entered into a number of joint ventures and other transactions with Toyota Motor as we have expanded our business. We are also party to a license agreement with Toyota Motor that allows us to use the TOYOTA brand in our businesses.

We maintain strong personnel relationships with Toyota Motor at both the management and employee levels. Currently, four of our eight directors (excluding outside directors) have previously worked for Toyota Motor. In addition, at the non-management employee level, a number of our employees are seconded to Toyota Motor, and a small number of our employees are seconded from Toyota Motor. Mitsuhiro Kato, our Outside Director, also currently serves as Senior Advisor of Toyota Motor.

Toyota Motor is also our single largest shareholder, and we are considered an affiliate of Toyota Motor for accounting purposes. As of September 30, 2017, Toyota Motor held 23.5% of the issued shares of our common stock, and we held 7.0% of the issued shares of common stock of Toyota Motor as its second largest shareholder.

Relationship with DENSO

DENSO, an affiliate of Toyota Motor, is a publicly listed automobile parts manufacturer that supplies parts to Toyota Group companies and other third parties. Our partnership with DENSO is one of our key relationships in our automobile parts business. In particular, DENSO acts as our only sales channel for car air-conditioning compressors. We sell all of our car air-conditioning compressors to DENSO, which DENSO resells to automobile manufacturers and other customers or incorporates them into DENSO’s car air-conditioning systems to be sold to its customers. Through DENSO, we supply car air-conditioning compressors to Toyota Motor and other global automobile manufacturers. As part of our partnership with DENSO, we also engage in joint marketing and sales activities in order to expand and strengthen the customer base for our car air-conditioning compressors. We also supply DENSO with certain other automobile parts, and DENSO supplies certain automobile parts to us. DENSO is our single largest direct customer, with sales to DENSO and its subsidiaries for the years ended March 31, 2016 and 2017 accounting for 19.1% and 20.2% of our consolidated net sales, respectively. We have also entered into a number of joint ventures and other transactions with DENSO.

In addition, as of September 30, 2017, DENSO held 9.1% of the issued shares of our common stock, and we held 8.7% of the issued shares of common stock of DENSO as its second-largest shareholder after Toyota Motor.

Relationship with Aisin

Aisin, an affiliate of Toyota Motor, is a publicly listed automobile parts manufacturer that supplies parts to Toyota Group companies and other third parties. We supply certain products to Aisin, and Aisin also supplies certain products to us. As of September 30, 2017, Aisin held 2.0% of the issued shares of our common stock, and we held 7.0% of the issued shares of common stock of Aisin.

Relationship with Toyota Tsusho

Toyota Tsusho, an affiliate of Toyota Motor, is a publicly listed general trading company. Toyota Tsusho facilitates the exports of our industrial vehicles, automobiles and related components. As of September 30, 2017, Toyota Tsusho held 4.7% of the issued shares of our common stock, and we held 11.1% of the issued shares of common stock of Toyota Tsusho.

BUSINESS

Overview

We are a global manufacturing company based in Japan with operations around the world. We are primarily engaged in the development, production and sale of materials handling equipment, vehicles, automobile parts and textile machinery as well as the provision of related after sales and other services. We are the original founding company of the Toyota Group and Toyota Motor with an operating history of over 90 years and continue to be one of the core members of the Toyota Group. Our strong relationship with the Toyota Group has supported our continued expansion in our core businesses and remains one of our key competitive advantages. See “Historical Background and Relationship with the Toyota Group.”

We are a market leader in each of our three core businesses: Materials Handling Equipment, Automobiles and Textile Machinery. In our Materials Handling Equipment business, according to our internal analyses of industry data, we had the highest global market share for lift trucks with approximately 20% in terms of units sold in the year ended December 31, 2017 and have had the highest market share for approximately a half century in Japan and over 15 years in the United States. In our Automobile business, based on our internal estimates of the total size of the car air-conditioning compressor market, we believe we had the highest global market share for car air-conditioning compressors with approximately 40% in terms of units sold in the year ended March 31, 2017 and have had the highest global market share for approximately 30 years. In our Textile Machinery business, according to our internal analyses of industry data, we believe that our air-jet looms had the highest global market share with approximately 30% in terms of units sold in the year ended December 31, 2016 and have had the highest global market share for approximately 20 years. Our strong market presence in the textile industry reflects our historical origins as a manufacturer of automatic loom machinery when we were established in 1926.

For the year ended March 31, 2017, the Materials Handling Equipment segment, the Automobile segment, the Textile Machinery segment and the Others segment accounted for 59.0%, 33.6%, 4.0% and 3.4% of our consolidated net sales, respectively.

Our Strengths

Founding Company and a Core Member of the Toyota Group

We are the original founding company of the Toyota Group and Toyota Motor, and one of the core members of the Toyota Group. We were established as Toyoda Automatic Loom Works, Ltd. in 1926 by our founder, Mr. Sakichi Toyoda, to manufacture and sell the “Type G” automatic loom. We established Toyota Motor in 1937 as a spin-off of our automobile manufacturing business and have maintained a close relationship with Toyota Motor and the other Toyota Group companies as these companies have grown over the years. We believe that our close coordination with the Toyota Group companies in areas such as quality assurance and cost control, as well as our ability to use the TOYOTA brand for a portion of our lift truck products, are significant competitive advantages that have enabled us to achieve success in our core businesses.

Our strong relationship with Toyota Motor in particular is a key part of our corporate identity and can be seen across our business operations. Our senior management team includes a member of the Toyoda family as well as directors who have previously worked for Toyota Motor. In addition, we maintain strategic shareholdings in Toyota Motor and certain other Toyota Group companies, and Toyota Motor and other Toyota Group companies also hold shares of our common stock. We believe these strategic shareholdings are a key component of, and reinforce, our relationships with other Toyota Group companies and better enable us to compete in the increasingly competitive automobile industry.

We also maintain strong ongoing business relationships with the Toyota Group companies and generate a significant portion of the net sales in our Automobile segment from transactions with these companies. For example, DENSO and Toyota Motor are our two largest customers, accounting together with their respective subsidiaries for 20.2% and 12.3% of our net sales for the year ended March 31, 2017, respectively. In particular, DENSO is a critical partner in our car air-conditioning compressor business and serves as the sole sales channel for all our compressors. In addition, we supply automotive engines to Toyota Motor and also assemble the TOYOTA Vitz and TOYOTA RAV4 vehicle models for Toyota Motor. We believe that our business relationships with the Toyota Group contribute to the strength and stability of our Automobile business and our overall business portfolio.

For more information regarding our relationship with the Toyota Group, see “Historical Background and Relationship with the Toyota Group—Relationship with Toyota Group Companies.”

Business Portfolio Balancing Growth Potential with Stable Cash Flows

Our business portfolio is comprised mainly of our Materials Handling Equipment business, which generated 59.0% of our net sales and 70.3% of our operating profit in the year ended March 31, 2017, and our Automobile business, which generated 33.6% of our net sales and 19.6% of our operating profit in the year ended March 31, 2017. Our portfolio also includes our Textile Machinery business, which generated 4.0% of our net sales and 5.4% of our operating profit in the year ended March 31, 2017. We seek to balance the growth potential of our Materials Handling Equipment business with the stability of our Automobile business in order to pursue growth opportunities while at the same time achieving stable cash flows. In addition, our net sales are geographically diversified with 32.0% of our net sales from customers in Japan and 68.0% from customers outside of Japan, for the year ended March 31, 2017.

As described below, we hold a leading position in each of our businesses with the highest global market share in the key product segment for each of our businesses:

Steady Growth Potential of Materials Handling Equipment Business

In our Materials Handling Equipment business, according to our internal analyses of industry data, we had the highest global market share with approximately 20% in terms of units sold in the year ended December 31, 2017 for lift trucks, our key product category representing the majority of net sales in this segment and have had the highest market share for approximately a half century in Japan and over 15 years in the United States. Our Materials Handling Equipment business is one of our key growth drivers providing steady profit growth. Net sales of our Materials Handling Equipment business has grown significantly in recent years while at the same time achieving gains in profitability. On a Japanese GAAP basis, net sales of our Materials Handling Equipment business to outside customers increased from ¥596,449 million for the year ended March 31, 2013 to ¥1,031,480 million for the year ended March 31, 2016. On an IFRS basis, while net sales of our Materials Handling Equipment business to outside customers decreased slightly from ¥1,019,438 million for the year ended March 31, 2016 to ¥988,148 million for the year ended March 31, 2017 due primarily to the impact of exchange rate fluctuations, net sales of our Materials Handling Equipment business to outside customers continued to show steady growth for the nine-month period ended December 31, 2017, increasing to ¥932,592 million from ¥722,096 million for the same period in the prior year. Non-Japanese GAAP Segment EBITDA Margin increased from 12.5% for the year ended March 31, 2013 to 16.3% for the year ended March 31, 2016. Non-IFRS Segment EBITDA Margin for our Materials Handling Equipment business increased from 16.6% for the year ended March 31, 2016 to 18.0% for the year ended March 31, 2017, while it decreased from 18.1% for the nine-month period ended December 31, 2016 to 16.7% for the nine-month period ended December 31, 2017. See “Selected Financial Data and Other Information—Non-IFRS Measures” and “Selected Financial Data and Other Information—Non-Japanese GAAP Measures.” Financial information prepared in accordance with Japanese GAAP differs in certain respects from financial information prepared in accordance with IFRS. See “Selected Financial Data and Other Information—Differences between IFRS and Japanese GAAP Financial Data” and Note 37 to our audited consolidated financial statements as of and for the year ended March 31, 2017 contained elsewhere in this offering circular for a reconciliation and discussion of these differences.

We have worked to expand our Materials Handling Equipment business including through a number of strategic acquisitions, starting with our acquisition in 2000 of BT Industries AB, a global leading manufacturer of warehouse equipment based in Sweden, and our acquisition in 2001 of the industrial equipment sales division of Toyota Motor. We have a strong presence in developed markets including Japan, North America and Europe as well as a strong brand portfolio comprising some of the most recognized brands in the industry that are differentiated based on usage and customer base, including the TOYOTA, BT, RAYMOND and CESAB brands. We apply our strong technological capabilities in the areas of environmental impact, safety and other areas to offer a full lineup of materials handling equipment products including internal combustion, electric and fuel cell lift trucks as well as logistics systems equipment such as automated lift trucks and other vehicles. In addition, through leveraging the existing strengths of our Automobile business, we are able to manufacture engines, motors and other key components for our lift trucks to ensure that our products are produced using cost-efficient, high-quality components. In emerging markets where we expect robust market growth over the mid-to-long term, we have also enhanced our presence through our acquisition in 2015 of a majority stake in LT Material Handling Holding Pte. Ltd., a new company that acquired the lift truck division of Tailift Co., Ltd. This acquisition has allowed us to expand our customer base in Asia outside of Japan by offering a lineup of lower-priced products. Furthermore, we have recently enhanced our logistics solutions capabilities through our acquisition of Bastian, a materials handling systems integrator based in the United States, and Vanderlande, a materials handling systems provider based in the Netherlands, in 2017.

We have also taken steps to enhance our sales financing and after sales services businesses in order to expand and strengthen our participation in the full life cycle value chain of materials handling equipment, diversify our business model and further enhance our customer relationships. For example, we acquired Cascade Corporation, a U.S. manufacturer of materials handling load engagement devices and replacement parts for lift trucks, in 2013. In addition, we established Toyota Industries Global Commercial Finance, Inc., a sales financing global management company, in 2014 and acquired Toyota Motor Credit Corporation's commercial finance business in 2015. Through enhancing our sales financing and after sales capabilities, we have been able to facilitate sales of new vehicles, generate revenues from ongoing maintenance and ensure that leased equipment is in good condition at the end of a lease period so that we can maximize resale value. In addition, we have achieved a more diverse business model and reduced our reliance on new vehicle and equipment sales.

Stable Automobile Business

In our Automobile business, based on our internal estimates of the total size of the car air-conditioning compressor market, we believe we had the highest global market share for car air-conditioning compressors, our key product category representing approximately 60% of our net sales in this segment, with approximately 40% in terms of units sold in the year ended March 31, 2017 and have had the highest global market share for approximately 30 years. Our Automobile business is built on our close relationship with Toyota Motor, DENSO and other Toyota Group companies and provides stable cash flows to support our operations and allow us to pursue growth opportunities. Net sales and profit of our Automobile business have been stable in recent years. Net sales of our Automobile business to outside customers on a Japanese GAAP basis increased from ¥858,671 million for the year ended March 31, 2013 to ¥1,045,782 million for the year ended March 31, 2016. On an IFRS basis, net sales of our Automobile business to outside customers increased from ¥556,505 million for the year ended March 31, 2016 to ¥562,672 million for the year ended March 31, 2017 and continued to show steady growth for the nine-month period ended December 31, 2017, increasing to ¥438,608 million from ¥414,433 million for the same period in the prior year. At the same time, non-Japanese GAAP Segment EBITDA Margin for our Automobile business was stable for the four years ended March 31, 2016 at the roughly 8% level. Non-IFRS Segment EBITDA Margin for our Automobile business has continued to be stable, decreasing from 15.7% for the year ended March 31, 2016 to 14.1% for the year ended March 31, 2017, while increasing from 14.2% for the nine-month period ended December 31, 2016 to 15.2% for the nine-month period ended December 31, 2017. See “Selected Financial Data and Other Information—Non-IFRS Measures” and “Selected Financial Data and Other Information—Non-Japanese GAAP Measures.” Financial information prepared in accordance with Japanese GAAP differs in certain respects from financial information prepared in accordance with IFRS. See “Selected Financial Data and Other Information—Differences between IFRS and Japanese GAAP Financial Data” and Note 37 to our audited consolidated financial statements as of and for the year ended March 31, 2017 contained elsewhere in this offering circular for a reconciliation and discussion of these differences.

In our car air-conditioning compressor business, we sell all of our compressors through DENSO, which allows us to capitalize on DENSO's robust network of relationships with global automobile manufacturers to support stable sales of our compressor products. Through DENSO, we supply air-conditioning compressors to automobile manufacturers across the world, including Audi AG, Volkswagen Group, Mercedes-Benz and Peugeot in Europe, General Motors Company, Toyota Motor, Ford Motor Company and Fiat Chrysler Automobiles N.V. in North America, Toyota Motor, Daihatsu Motor Co., Ltd. and Nissan Motor Co., Ltd. in Japan and Toyota Motor, Ford Motor Company, Audi AG and Volkswagen Group in China. In addition, our full product lineup of car air-conditioning compressors is a key competitive strength that allows us to cater to diverse market needs in emerging countries as well as developed countries. In particular, we have a strong lineup of car air-conditioning compressors for hybrid, plug-in hybrid, electric and fuel cell vehicles, which we expect will continue to be growing segments of the automobile market. We also design our compressors to be highly energy efficient and environmentally friendly in order to respond to increasing sensitivity to the environmental impact of vehicles. Moreover, we believe that our global production and supply capabilities for compressors represent a key operational strength, with approximately 60% of our compressors manufactured overseas. As a result of these significant capabilities as a supplier of car air-conditioning compressors, we are able to respond to the requirements of each market and sell our compressor products not only to Toyota Motor but also to other automobile manufactures in diverse regions around the world, which has enabled us to achieve the leading market share for this product category.

In addition to our car air-conditioning compressors, products sold in our Automobile business are primarily comprised of engines, vehicles and electronics parts, foundry and others. Due to our strong relationship with Toyota Motor, sales of these products are relatively stable, and we work continuously to maintain and strengthen our relationship with Toyota Motor. For example, we and Toyota Motor determined to concentrate our

joint development activities of diesel engines under our control in 2014, and production of diesel engines will also be gradually concentrated under our control. Moreover, in our assembly of the TOYOTA Vitz and TOYOTA RAV4 brand vehicles, we seek to maintain the highest level of comprehensive performance in terms of safety, environment, quality, cost and delivery, which we refer to as SEQCD, among Toyota-affiliated manufacturers. We also have developed a strong lineup of high-quality car electronics components for hybrid and electric vehicles based on our nearly 20-year track record of supplying car electronics to the hybrid TOYOTA Prius. We have worked to expand our car electronics products sales not only to Toyota Motor for use in its hybrid vehicles but also to other automobile manufacturers.

A Market Leader in the Textile Machinery Business

In addition to our main businesses described above, we have also been a market leader in the textile machinery industry for over 90 years since our establishment as a manufacturer of automatic looms in 1926. In particular, according to our internal analyses of industry data, we believe that our air-jet looms had the highest global market share with approximately 30% in terms of units sold in the year ended December 31, 2016 and have had the highest global market share for approximately 20 years. We strive to strengthen our leadership position in the industry and have established a robust global footprint to support our Textile Machinery business, including through our acquisition in 2012 of Uster Technologies UG, a leading manufacturer of yarn quality measurement and cotton classification instruments for the textile industry based in Switzerland. Our longstanding commitment and strong market position in the textile machinery industry enables us to generate stable cash flows from our Textile Machinery business.

Flexible Business Model with Proven Track Record

Track Record of Selective Acquisitions and Portfolio Realignment

Our current business portfolio is the product of our strategy of “concentration and selection,” under which we make strategic decisions based on periodic reviews of our businesses to assess the strength and market environment of each business to ensure we appropriately allocate our resources across businesses in the most efficient manner. As discussed above, we have been pursuing selective expansion through strategic acquisitions with a particular focus on our Materials Handling Equipment business, including our acquisition of the sales finance business for materials handling equipment from Toyota Motor Credit Corporation in 2015 and our acquisitions of Bastian and Vanderlande in 2017. We believe that our efforts to enhance our business through strategic acquisitions and achieving related synergies make our growth strategy unique within the Toyota Group. While we also focus on organic growth of our existing businesses, we believe that pursuing selective acquisitions can allow us to accelerate growth in key areas and capture opportunities in new areas that complement our existing businesses.

As part of our strategy of concentration and selection, we have also divested or withdrawn from non-core business lines that are less profitable than our other businesses or otherwise do not fit with our overall strategy. For example, we have taken steps to reposition our electronics-related businesses to focus on car electronics through the sale of our interest in joint ventures with Sony Corporation relating to the development of display panels for mobile devices in 2007 as well as the dissolution of our joint venture with Ibiden Co., Ltd. relating to the production of semiconductor package substrates in 2012. In addition, in December 2015, we sold our stakes in Asahi Security Co., Ltd., which operated a cash collection and delivery and cash proceeds management business, and Wanbishi Archives Co., Ltd., which operated a data storage, management, collection and delivery business, for ¥81.0 billion and ¥86.0 billion, respectively, in order to realign our business portfolio and reallocate management resources to our Materials Handling Equipment and Automobile businesses. We used the proceeds from the sale of these companies to enhance our logistics solutions business through new acquisitions and invest in other growth areas.

Advanced Technical Capabilities to Address Market Changes

We consider our advanced technical capabilities to be a key competitive advantage that allows us to adapt to changing business environments. In our Materials Handling Equipment business, for example, we have been a leader in developing a variety of electric lift trucks in addition to internal combustion models and have also recently introduced fuel cell lift trucks into our product lineup. In addition, we have more recently been working to enhance our logistics solutions capabilities to respond to rising demand for greater automation and improved efficiency driven by the expansion of e-commerce and other industry trends. Similarly, in our Automobile business, we are well positioned to respond to the ongoing shift from internal combustion vehicles to electric powered vehicles due to our nearly 20-year track record of supplying components for electric powered vehicles including our electric car air-conditioning compressors and components for the hybrid Toyota Prius. See “—Our Business Operations—Automobile.”

Sound Financial Base

We have established a sound financial base supported by our well-balanced portfolio of businesses. In recent periods, profit growth has allowed us to further strengthen our financial base and cash flow generation, despite significant indebtedness remaining from prior acquisitions. On a Japanese GAAP basis, in spite of several large acquisitions and an increase in sales finance assets over the period, our Net Debt to EBITDA Ratio improved from 2.6x for the year ended March 31, 2013 to 1.9x for the year ended March 31, 2016, due to our strong cash flow which was generated in part from the increase in profits from our Materials Handling Equipment business. In addition, on an IFRS basis, our Net Debt to EBITDA Ratio has remained at a stable level of 1.9x and 2.1x for the years ended March 31, 2016 and 2017, respectively. Due to the acquisitions of Bastian and Vanderlande in 2017, our Net Debt to EBITDA Ratio increased to 3.1x for the nine-month period ended December 31, 2017. We aim to manage and decrease the ratio through our disciplined financial policies. For more information on the increase in sales finance assets, see “—Our Business Operations—Materials Handling Equipment—After Sales Services and Sales Financing.”

In addition, our Adjusted Free Cash Flows were ¥97,450 million and ¥74,868 million for the years ended March 31, 2016 and 2017, respectively. See “Selected Financial Data and Other Information—Non-IFRS Measures.”

Furthermore, we have been diversifying our financing methods and maturities, including through the use of our Euro medium term note program and the offering of the notes described in this offering circular, allowing us to further enhance our financial soundness. For more information on our financing methods and maturities, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Capital Resources.” Due in part to our stable financial base, we have a credit rating of AA- from S&P, A1 from Moody’s and AA from R&I. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Credit Ratings.”

Our Strategies

Working toward the Realization of Vision 2020

In 2011, we announced “Vision 2020,” which set forth a roadmap for the next stage of our growth. The objective of Vision 2020 is to support industries and social foundations around the world by offering products and services that respond to customers’ needs in a timely manner in order to contribute to the betterment of society and a higher quality of life.

To achieve this objective, we established the following three strategic pillars that we seek to pursue across all of our businesses:

- *3E (environment, ecology & energy).* We strive to develop environmentally-conscious, energy-efficient products based on the three concepts of environment, ecology and energy, which we refer to internally as “3E.”
- *Value Chain.* We seek to expand our participation in the product value chain through strengthening after sales services in our Materials Handling Equipment business.
- *World Market.* We seek to further expand our business to overseas markets and increase our operational presence globally.

Materials Handling Equipment

We intend to continue to develop our Materials Handling Equipment business as one of our key growth drivers. In our research and development efforts, we will continue to develop high value-added products focused on safety and our “3E” principles. We will also build on recent product development accomplishments including our internally developed lithium ion battery lift truck model and the world’s first fuel cell lift truck model, both of which we introduced in 2016. Specifically, we will seek to enhance our product lineup with improvements to existing internal combustion lift trucks and electric lift trucks as well as next generation models of lithium ion battery lift trucks and fuel cell lift trucks. In addition, in order to enhance our product offerings, we plan to strengthen our in-house development and production of engines, motors and other components. We will also seek to generate technological synergies with Cascade Corporation, which we acquired in 2013, by integrating its lift truck attachments with sensors and our telematics systems. In addition, we plan to further develop hybrid units for construction machinery, which were first used in the hybrid excavators of Hitachi Construction Machinery in September 2017.

To expand our presence in the product value chain, we aim to further strengthen our fleet management system offerings in order to better propose logistics solutions that meet the needs of large-scale customers. In addition, we expect to continue to enhance our sales finance business by leveraging the knowhow and human resources of the sales finance business we acquired from Toyota Motor Credit Corporation in 2015. We will also seek to leverage our enhanced sales finance footprint in Europe through our recently opened sales finance offices in Germany and Italy, as well as the commercial finance business in Canada that we acquired in 2017. In emerging markets where we expect robust market growth over the mid-to-long term, we intend to continue with our efforts to offer a lineup of lower-priced products and expand our customer base in Asia outside of Japan through the lift truck division of Tailift Co., Ltd., which we acquired in 2015.

In light of recent market trends including the rapid growth of e-commerce and the increase in air travelers, we believe that our logistics solutions business in particular has significant growth potential. Our current priority is to fully integrate Bastian and Vanderlande, which we acquired in 2017, into our operations so that we can accelerate growth of our logistics solutions business to capture market growth in this area by fully leveraging the strengths of these companies. In particular, Bastian has extensive experience providing leading software development capabilities for logistics management and control systems to some of the world's leading companies. Moreover, Vanderlande has strong capabilities for large-scale projects such as comprehensive logistics process automation covering check-in and luggage processing at major hub airports, warehouse automation solutions to leading e-commerce and retail companies and parcel and post handling solutions for major delivery providers. Through realizing synergies and pursuing collaboration among these two companies and our existing businesses in Europe, North America and Japan, we will seek to further enhance our global logistics solutions business.

Automobile

As developed countries are expected to implement more stringent fuel emissions standards and developing countries are likely to introduce similar standards in the future, over the medium-term we expect an increase in demand for variable-displacement car air-conditioning compressors with higher efficiency and fuel economy. Over the long-term, we expect demand to shift to electric compressors as production of hybrid, electric and fuel cell vehicles increases driven by environmental regulations, growing environmental consciousness and tax incentive programs for electric vehicles. In this environment, we intend to maintain our leadership position in car air-conditioning compressors by developing variable-displacement car air-conditioning compressors with higher fuel efficiency and leveraging our strengths in developing electric compressors that meet evolving customer needs. With respect to fuel cell vehicles, we intend to build on the technology we developed for car air-conditioning compressors used in Toyota Motor's MIRAI fuel cell vehicles to develop new products and technologies for next generation automobiles. At the same time, as we expect that demand for fixed-displacement compressors will remain strong in developing countries, we will make efforts to enhance our product offerings, such as our newly developed SVE series vane type compressors for compact vehicles, which offers improved air-conditioning performance without increasing unit size.

In our engine business, we will work to further consolidate research and development functions and production of diesel engines, which have been conducted jointly with Toyota Motor, under our control. We will continue to focus our research and development efforts on both gasoline and diesel engines with higher fuel efficiency and lower emissions. In our vehicle business, we will seek to deepen our relationship with Toyota Motor by providing high-quality manufacturing operations in terms of SEQCD. In light of the expected shift towards electric powered vehicles in the automobile industry, we intend to increase our sales of products for hybrid, electric and fuel cell vehicles, including DC-DC converters and DC-AC inverters, to Toyota Motor and other automobile manufacturers. Through leveraging the experience and knowhow we have accumulated in supplying electronics parts to the hybrid TOYOTA Prius for nearly 20 years, we will aim to further expand our customer base for car electronics products outside the Toyota Group in addition to strengthening our supply relationship with Toyota Motor.

Our Business Operations

Our operations are divided into four business segments consisting of our three core businesses, Materials Handling Equipment, Automobiles and Textile Machinery, as well as an Others segment. For the purposes of the discussion below, we describe our business segments in the order of their relative contribution in terms of net sales, which differs from the order of the segments for accounting purposes as presented in our financial statements.

Materials Handling Equipment

Lift Trucks and Other Vehicles and Equipment

In our Materials Handling Equipment business, we develop, manufacture and sell industrial vehicles, including primarily lift trucks, and other materials handling equipment, and provide logistics solutions. Our Materials Handling Equipment business has expanded significantly in recent years to become our largest operating segment. Through our acquisition of BT Industries AB in 2000, we expanded our global footprint and added the BT, RAYMOND and CESAB brands to our portfolio. In addition, our acquisition of the industrial equipment sales division of Toyota Motor in 2001 allowed us to integrate the manufacturing and sales functions for our Materials Handling Equipment business. We further expanded our Materials Handling Equipment business through the acquisition in 2013 of Cascade Corporation, a leading manufacturer of lift truck attachments based in the United States, and the acquisition in 2015 of a 55% interest in LT Material Handling Holding Pte. Ltd., a new company that acquired the lift truck division of Tailift Co., Ltd., a lift truck and machine tools maker based in Taiwan. See “Historical Background and Relationship with the Toyota Group—Our History.”

The primary products in our Materials Handling Equipment business include:

- *Lift Trucks.* Lift trucks are our primary product category and include a robust selection of internal combustion lift trucks as well as electric lift trucks and fuel cell lift trucks in a variety of sizes to support logistics needs across a broad range of industries. Our lift trucks are designed for a variety of environments ranging from indoor warehouses to outdoor loading docks and can handle a range of material types and weights. We design our lift truck models from the perspective of usability, fuel efficiency and environmental impact and continually seek to enhance our lift truck product lineup. For example, in 2016, we introduced our internally developed lithium ion battery lift truck model as well as the world’s first fuel cell lift truck model.
- *Other Materials Handling Vehicles and Equipment.* We offer a full range of other materials handling equipment including pallet trucks, towing tractors, reach trucks, order pickers, very narrow aisle trucks and other logistics and warehouse equipment. Our materials handling equipment line is designed to address a range of logistics needs including flat-level transport and picking and storage.
- *Materials Handling Systems.* We produce materials handling systems including automated storage and retrieval systems, conveyor systems, automatic guided vehicle systems, automated lift trucks, storage racks and other storage equipment. Our automated equipment is designed to save time and increase cost efficiency for repetitive tasks in warehousing and distribution operations.
- *Aerial Work Platforms.* We manufacture truck-mounted and self-propelled aerial work platforms through our subsidiary Aichi Corporation. Our aerial work platforms are used for a variety of applications including electric and utilities maintenance work and construction work.

The following table shows our lift truck unit sales by region for the periods indicated.

	For the year ended March 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	(number of units in thousands)									
Japan	39	32	23	26	32	33	37	39	40	42
North America	57	47	29	43	59	59	67	73	86	83
Europe	72	62	39	49	60	58	59	68	75	91
Other	35	28	20	35	33	35	36	42	38	37
Total	<u>203</u>	<u>169</u>	<u>111</u>	<u>153</u>	<u>184</u>	<u>185</u>	<u>199</u>	<u>222</u>	<u>239</u>	<u>253</u>

Note:

(1) Excludes sales of lift trucks sold under the TAILIFT brand by LT Material Handling Holding Pte. Ltd.

We sell materials handling equipment under several brands including the TOYOTA, BT, RAYMOND and CESAB brands. We also sell aerial work platforms under the AICHI brand. We organize our global sales of materials handling equipment into the following regions:

- In Japan, we primarily sell materials handling equipment under the TOYOTA brand as well as aerial work platforms under the AICHI brand.

- In North America, we primarily sell materials handling equipment under the TOYOTA and RAYMOND brands.
- In Europe, we primarily sell materials handling equipment under the TOYOTA, BT and CESAB brands.
- In Asia (excluding Japan), Latin America, Oceania, Middle East and Africa, we primarily sell materials handling equipment under the TOYOTA, BT and RAYMOND brands.

Logistics Solutions

In addition to materials handling equipment, we also offer logistics solutions to our customers. Demand for automated and more efficient logistics has been increasing in line with the growth in e-commerce and the increase in air travelers, and we believe that the increase in labor costs driven by a decline in the labor force in Japan and other countries will accelerate this trend. In response to these trends, we have been working to strengthen our logistics solutions business. In particular, we focus on offering customized fleet management systems that allow our customers to streamline the management of their existing lift truck fleets and increase the efficiency of their logistics operations. For example, our iWAREHOUSE Evolution provided under the RAYMOND brand provides a scalable telematics solution for businesses designed to manage and report on powered industrial vehicle and operator performance while reducing costs and improving productivity. In addition, our T-Matics systems offers similar solutions under the TOYOTA brand.

We have enhanced our ability to provide total logistics solutions to our customers including through our recent acquisitions of Bastian, a materials handling systems integrator based in the United States, and Vanderlande, a materials handling systems provider based in the Netherlands, in 2017. Our acquisitions of Bastian and Vanderlande have significantly strengthened our logistics solutions capabilities. In particular, Bastian has extensive experience providing leading software development capabilities for logistics management and control systems in a variety of industries including the retail, food and beverage, pharmaceutical and healthcare, manufacturing and industrial and customer goods and e-commerce sectors. Bastian's customer base includes some of the world's leading companies in various industries, such as The Home Depot in the retail industry, Johnson & Johnson in the pharmaceutical industry, MOLSON Coors in the beverage industry, Boeing in the aircraft industry and BOSCH in the automobile parts industry. Moreover, Vanderlande has strong capabilities for large-scale projects in a variety of areas including warehouse automation, baggage handling at major hub airports, parcel and post handling and after-sales services. Vanderlande's track record includes logistics solutions projects for leading retail and e-commerce companies such as Amazon and LEGO, parcel and delivery providers such as DHL, UPS and FedEx as well as major airports in London, Los Angeles and Singapore. We believe that our ability to provide logistics solutions in addition to individual products will allow us to continue to build a loyal customer base and increase sales of our materials handling equipment.

After Sales Services and Sales Financing

In addition to sales of new materials handling equipment, after sales services and sales financing are key aspects of our Materials Handling Equipment business.

After sales services include sales of spare parts and components for our equipment and maintenance and repair services. Maintenance and repair services include service and preventive checks and repair and replacement of vehicles. Spare parts are used for replacement of components and upgrading of existing units. Maintenance and repair offerings are important drivers of our after sales service business as such services are required throughout the lifetime of the truck or equipment and benefit from the large number of units in use. Our ability to provide responsive, high-quality after sales services is a critical part of our value proposition to customers. After sales services also provide significant opportunities to build customer loyalty to our brands and increase customer retention. In addition, after sales services tend to be more profitable than sales of new equipment and typically provide more stable revenue than revenue from product sales, which can mitigate the impact of cyclicity on our business.

After sales services are performed either by our own service technicians or through our authorized dealer network. We offer a full range of after sales services for all lines of our equipment across brands through our dedicated service personnel located across Japan, North America, Europe and other regions. As of December 31, 2017, we had more than 10,000 experienced service personnel. Our service personnel conduct periodic visits to customers and work to respond quickly and effectively to provide them with maintenance, repair and other necessary services.

Another key component of our Materials Handling Equipment business is our sales financing and leasing business. Through our acquisition of BT Industries AB in 2000, we acquired its sales financing business covering a range of countries in Europe and other regions. We further enhanced our sales financing capabilities through our acquisition of the sales finance business for materials handling equipment from Toyota Motor Credit Corporation in 2015. Through consolidation of our sales financing function internally, we have been able to establish shared policies and procedures and risk management systems across our operations. We have also enhanced our sales finance capabilities in Europe by establishing sales finance offices in France, Germany and Italy through our European sales finance subsidiary and also established sales financing operations in Mexico. Further, in 2017, we acquired the commercial finance business of Liftow Limited, a dealer of our materials handling equipment based in Canada. As a result, our global sales finance footprint covers major markets in Europe and North America as well as Australia. As of March 31, 2017, we had sales finance assets of ¥267,220 million held through Toyota Industries Commercial Finance, Inc., ¥176,497 million held through Toyota Material Handling Europe AB, ¥114,492 million held through The Raymond Corporation and ¥29,491 million held through our other subsidiaries. Our sales finance assets have increased as our sales finance business has grown in scale. On a Japanese GAAP basis, our sales finance assets have increased from ¥276,070 million as of March 31, 2013 to ¥553,363 million as of March 31, 2016. On an IFRS basis, our sales finance assets increased from ¥556,303 million as of March 31, 2016 to ¥587,700 million as of March 31, 2017.

We believe that providing sales financing of our products give greater flexibility to our customers, both wholesale and retail, who seek financing and leasing options. We offer wholesale financing for our authorized dealers as well as retail financing. We generally acquire and perfect security interests in the equipment for which we provide financing. We analyze the credit risk profile of our counterparties and determine whether to provide financing and, if we determine to provide financing, set the appropriate interest rate level according to our assessment of the counterparty's creditworthiness as well as other factors including the type of equipment and financing term.

Through our after sales services and sales financing businesses, we seek to expand and strengthen our participation in the full value chain of materials handling equipment and enhance our customer relationships. In particular, leasing and finance relationships with customers allow us to generate revenues from ongoing maintenance of the equipment while ensuring that the equipment is in good condition at the end of a lease period so that we can maximize resale value. Our financing and services businesses also enable us to deepen our relationships with our customers over the course of the financing period and generate opportunities to sell new equipment at the end of the financing period or when existing equipment needs to be replaced.

Sales of Used Lift Trucks and Other Equipment

We sell used lift trucks and other equipment that become available when their leases expire. Sales of used equipment enable our brands to access additional customers at a lower price point than our new equipment. At the same time, the used equipment business also contributes to the growth of the overall service business as it leads to additional demand for spare parts, other after sales services and sales financing services.

Automobile

In our Automobile business, we primarily manufacture and sell car air-conditioning compressors, engines, vehicles and electronics parts, foundry and others.

Car Air-conditioning Compressors

Our car air-conditioning compressors represent the largest product category in our Automobile business. Based on our internal estimates of the total size of the car air-conditioning compressor market, we believe we had the highest global market share for car air-conditioning compressors with approximately 40% in terms of units sold in the year ended March 31, 2017 and have had the highest global market share for approximately 30 years. We develop and manufacture a robust line of car air-conditioning compressors, which are key components of automobile air-conditioning systems. We sell all of our car air-conditioning compressors to DENSO, which resells our air-conditioning compressors to automobile manufacturers and other customers or incorporates our air-conditioning compressors into DENSO's car air-conditioning systems to be sold to its customers. Through DENSO, we supply car air-conditioning compressors to Toyota Motor and other global automobile manufacturers in a variety of countries.

The following table shows our global car air-conditioning compressor unit sales made through DENSO to automobile manufacturers for the periods and regions indicated.

	For the year ended March 31,				
	2013	2014	2015	2016	2017
	(number of units in millions)				
Japan	4.7	5.4	5.3	5.3	5.9
North America	8.5	9.0	9.5	9.8	10.2
Europe	7.5	8.3	8.7	8.9	9.4
Other	2.7	2.7	5.9	6.3	7.1
Total	23.4	25.5	29.3	30.4	32.6

Our product lineup includes variable-displacement compressors, fixed-displacement compressors and electric compressors. While growth in global automobile sales remains relatively slow, we expect that demand for our compressors will remain relatively strong in Japan, North America, China and other regions but will decline in Europe. Our variable-displacement compressors are the largest category of our compressors in terms of unit sold, and we expect demand to continue to grow due to increasingly stringent vehicle fuel efficiency standards. While there is a general trend towards replacing fixed-displacement compressors with variable-displacement compressors, we expect demand for fixed-displacement compressors to be relatively stable driven by strong demand in emerging markets. Moreover, while our electric compressors represent the smallest category of compressors in terms of units sold, we expect demand to accelerate over the longer term as sales of electric vehicles and hybrid vehicles continue to increase.

As part of our car air-conditioning compressor business, we also design and manufacture other products including air compressors and hydrogen circulation pumps that are used as components in fuel cell vehicles as well as viscous type power heaters. We developed the air compressor that supplies oxygen to the fuel cell stack for Toyota Motor's MIRAI fuel cell vehicles using technologies acquired in the development of our car air-conditioning compressors and plan to continue to focus on products and technologies to support the further development of fuel cell vehicles.

In light of increasingly stringent fuel efficiency requirements and as part of our commitment to environmental preservation, we develop our compressors to be energy efficient in order to contribute to overall vehicle fuel efficiency. In particular, our variable-displacement compressors, which are designed to be highly fuel efficient and light weight, are installed not only in a variety of TOYOTA brand vehicles but also in vehicles sold by a number of leading global automobile manufacturers. We also continue to refine the design of our fixed-displacement compressors to improve performance while maintaining small unit size with a balance between performance and unit price. In the area of electric compressors, which are used for hybrid vehicles and electric vehicles, our electric compressors are widely used in TOYOTA brand hybrid vehicles as well as hybrid and electric vehicles produced by other leading global automobile manufacturers.

We are focused on achieving an optimum balance between performance and prices of fixed-displacement compressors targeting emerging countries while also developing variable-displacement compressors with considerably greater fuel efficiency. Due to the expected increase in production of electric and hybrid vehicles in the future, we are also focused on developing electric compressors that address problems common to electric compressors, including decreased driving distance when using air-conditioning, noise and vibrations when the compressor is in operation and the size and weight of electronics parts needed to install electric compressors. We have been working to increase the energy efficiency of our compressors, decrease noise and vibrations and design smaller and lighter-weight units for easier installation.

Engines

We manufacture gasoline and diesel engines in classes ranging from 1,000 cc to 5,200 cc for automobiles and industrial equipment. We manufacture our automotive engines for Toyota Motor for use in certain TOYOTA brand automobiles, including Toyota Motor's Innovative International Multi-purpose Vehicles (IMVs), Land Cruiser models, RAV4 models and certain other models sold by Toyota Motor. In particular, we engage in joint development of our diesel engines with Toyota Motor, and we and Toyota Motor determined to concentrate such joint development activities under our control in 2014. Development functions for diesel engines have gradually been shifted to us, and production of diesel engines will also be gradually concentrated under our control. We commenced production of our GD diesel engines in 2015 as the successor model to our KD diesel engines. Our GD diesel engines are equipped with a turbocharger and have significantly higher

performance when compared to earlier models. We established Toyota Industries Engine India Pvt. Ltd. in India in 2015 to produce GD diesel engines and commenced production of diesel engines in India in 2016. We also produce industrial equipment engines for use in our lift trucks as well as various types of industrial equipment including gas heat pumps and cogeneration equipment.

Vehicles

We assemble vehicles that we generally sell to Toyota Motor to be sold in Japan and overseas. We assemble such vehicles using parts sourced from Toyota Motor as well as parts we produce internally and source from third party suppliers. We are the sole manufacturer of the TOYOTA Vitz model in Japan (sold under the name Yaris outside of Japan), a hatchback subcompact car, and also manufacturer of the TOYOTA RAV4 model, a compact crossover sports utility vehicle, for distribution in markets outside Japan. In January 2017, following a minor model change of the TOYOTA Vitz, we began producing a hybrid model of the TOYOTA Vitz in addition to the conventional internal-combustion models. In the year ended March 31, 2017, combined unit sales of the TOYOTA Vitz and TOYOTA RAV4 increased by 14,000 units from the prior fiscal year to 307,000 units. In manufacturing vehicles, we seek to maintain the highest level of comprehensive performance in terms of safety, environment, quality, cost and delivery, which we refer to as SEQCD, among Toyota-affiliated manufacturers. We also develop and produce plastic glazing for the roof of Toyota Motor's hybrid Prius α model and the windows of Toyota Motor's 86 GRMN model. Our plastic glazing provides a similar surface quality to a typical glass glazing but is estimated to be 40% lighter, which can improve vehicle fuel efficiency.

Electronics Parts, Foundry and Others

We develop and manufacture automobile-related electronic components and devices including DC-DC converters for hybrid vehicles and vehicle-mounted DC-AC inverters that allow the use of household appliances within vehicles. Our strong lineup of high-quality car electronics components for hybrid and electric vehicles has been developed through our nearly 20-year track record of supplying car electronics to the hybrid TOYOTA Prius. In 2015, we developed a rear inverter that supplies power to the rear motor, which drives the rear wheels of 4-wheel drive hybrid and electric vehicles. The 4-wheel drive Toyota Prius models are fitted with our rear inverter for 4-wheel drive use. We also manufacture inverters for hydrogen circulation pumps used in fuel cell vehicles and produce public-use charging stands and home-use charging units for electric vehicles that we have jointly developed with Nitto Kogyo Corporation.

We also manufacture a variety of foundry parts, including cast iron and aluminum engine parts, such as cylinder blocks, cylinder heads, camshafts and crankshafts. These parts are used in our engines as well as engines produced by Toyota Motor. We also manufacture cast iron parts for our textile machinery as well as hydraulic pressure control valves for lift trucks. In addition, we produce automotive stamping dies for Toyota Motor and lift truck stamping dies for our industrial equipment business.

Textile Machinery

The Textile Machinery business is our original business and represents our manufacturing of textile machinery, including primarily spinning machinery and weaving machinery. We have been engaged in the manufacture of textile machinery for over 90 years since our establishment in 1926. According to our internal analyses of industry data, we believe that our air-jet looms had the highest global market share with approximately 30% in terms of units sold in the year ended December 31, 2016 and have had the highest global market share for approximately 20 years.

Our spinning machinery includes our high-speed ring spinning frames and roving frames that are designed to produce high-quality yarn with efficient energy consumption. Our weaving machinery includes air-jet looms, which insert the weft yarn using air, and water-jet looms, which insert the weft yarn using water. We believe that our main competitive strengths include our global service network and our strong product lineup of both spinning and weaving machinery, as well as our ability to design and offer high-speed, reliable and highly energy-efficient products. In order to strengthen our ability to compete with low-cost manufacturers from developing countries such as China and India, we have shifted a portion of our production to India.

Others

In addition to the businesses in our three reporting segments, we also operate businesses such as certain land transportation businesses through various consolidated subsidiaries.

Product Quality and Assurance

We have been engaged in the manufacturing business since our establishment in 1926 and continue to view our product quality and safety as one of the core responsibilities that we have to our customers. In developing a new product, we strive for the highest quality at every stage of the process from product planning and design to production, sales and after-sales services. All new products undergo a design review and can only proceed to the next stage of development when the responsible division head examines and approves that the product has reached our quality standards. If a defect is identified after product launch, the quality assurance departments of each business division respond quickly to implement necessary measures. If needed, the new product development system itself is reviewed to prevent recurrence of identified problems in any successor models.

As part of an internal quality initiative we call “Quality Vision 2020,” we seek to have all members of our group ensure quality first and build in quality with ownership at their own workplaces and positions in an effort to continuously supply attractive products and services that anticipate global customers’ needs. In order to achieve this overarching goal, we prepare quality guidelines that identify priority quality-related issues to be implemented in each fiscal year for all global production bases and engage in quality assurance activities based on these quality guidelines. Our senior management periodically reviews the implementation status of these guidelines, and our quality assurance departments work to address any remaining issues or areas identified for further improvement.

We have systems and procedures in place so that information relating to potential quality issues are shared among all our business divisions, quality assurance departments and engineering departments. We also conduct regular educational activities for our employees as well as our business partners as part of our efforts to minimize product defects. In addition, we engage in joint quality assurance activities with major business partners in order to ensure that our business partners maintain quality standards that are consistent with our quality and safety goals.

Our Suppliers

The most significant raw materials we use across our manufacturing operations are steel, which is generally purchased from steel producing companies in the geographic area near our manufacturing facilities, as well as rubber and aluminum. In our Materials Handling Equipment business, significant components for our manufacturing operations include functional parts such as drive train parts (such as transmission, brakes, tires and wheels), electrical components (such as batteries, motors and electronic parts), hydraulic parts (such as cylinders, oil pumps and oil control valves) and auxiliary components (such as lights, switches and wire harnesses). In our Automobile business, significant components also include automobile press parts, resin molding parts, engine parts and car air-conditioning compressor parts. We also require process parts including foundry parts, forging parts, cutting parts, steel sheet press parts and pipe processing parts.

We purchase a wide variety of raw materials, parts and components from numerous suppliers globally. We depend on a limited number of suppliers for some of our crucial components. While we seek to geographically diversify the regions from which we source raw materials and components and take steps to establish alternative supply arrangements we can use if there are shortages of any necessary materials or components, our procurement activities could be affected by the inability of our key suppliers to provide a reliable supply of key components due to difficulties specific to the individual supplier or developments affecting the industry generally.

Our supplier selection process is built around an open and fair entry process that allows all potential suppliers, regardless of nationality, size, and experience, the same chance to offer us their products or services. We select our business partners based on economic reasons such as the quality, price and volume of their products, as well as on their adherence to delivery schedules. In addition, we also consider comprehensively factors such as environmental awareness, company stability, and technological development ability in selecting suppliers.

Certain of our raw materials and components, particularly steel, rubber and aluminum, can be affected by fluctuations in global commodities prices. While we attempt to pass through price fluctuations in our raw materials and components to our customers by adjusting the pricing of our products, we may not be able to do so in all cases. We also take steps to mitigate the impact of raw material price fluctuations by, for example, entering into contractual pricing adjustment provisions with our customers (notably with respect to aluminum) and in some cases fixed price supply arrangements with our suppliers.

Customers, Sales and Marketing

Our major customers include leading global corporations as well as small and mid-sized businesses in each of our business areas. We have a worldwide sales network covering Japan, North America, Europe, China, Asia (excluding Japan and China), Latin America, Oceania, Middle East and Africa. We also maintain relationships with third-party distributors and other resale channels to broaden our sales network to reach end customers in certain countries and regions.

The key customers and third-party sales channels in each of our businesses are as follows:

- In our Materials Handling Equipment business, our customers include a diverse range of logistics companies and businesses with their own in-house logistics needs located around the world. In addition to maintaining direct sales operations, we also maintain relationships with third-party dealers and wholesalers as key sales channels for materials handling equipment. We also offer a comprehensive range of after sales services and sales financing options, allowing us to further deepen our relationships with customers.
- In our Automobile business, our two main customers are DENSO and Toyota Motor. DENSO acts as our sole sales channel for car air-conditioning compressors and purchases all of our car air-conditioning compressors for resale to customers or incorporation into DENSO's air-conditioning systems. We engage in joint marketing and sales activities with DENSO targeting end purchasers of our car air-conditioning compressors. Through DENSO, our car air-conditioning compressors are sold to Toyota Motor and other global automobile manufacturers, including Audi AG, Volkswagen Group, Mercedes-Benz and Peugeot in Europe, General Motors Company, Toyota Motor, Ford Motor Company and Fiat Chrysler Automobiles N.V. in the United States, Toyota Motor, Daihatsu Motor Co., Ltd. and Nissan Motor Co., Ltd. in Japan and Toyota Motor, Ford Motor Company, Audi AG and Volkswagen Group in China. In addition, Toyota Motor is our primary customer in our engine and vehicle business. Toyota Motor purchases our engines for use in its automobiles and also engages us to assemble certain TOYOTA brand vehicles. Our customers also include other Toyota Group companies as well as other automobile manufacturers and other leading global companies in the automotive industry.
- In our Textile Machinery business, our customers are yarn and textile manufacturers located in China and other parts of Asia as well as other parts of the world. We sell our textile machinery products primarily through trading companies.

We view the maintenance of our brands as a key aspect of our marketing and sales strategy. In addition to the TOYOTA brand that we use in all our business segments, our primary brands also include the BT, RAYMOND and CESAB brands in our Materials Handling Equipment business.

Research and Development

We have a strong commitment to research and development and are continuously working to improve our existing products and develop new products and technologies. For the years ended March 31, 2016 and 2017, our research and development expenses were ¥48,189 million and ¥57,214 million, respectively.

We broadly focus our research and development around the three concepts of environment, ecology and energy, which we refer to internally as “3E.” Through our focus on 3E, we seek to improve energy efficiency, design viable electric-powered alternatives and reduce the weight and size of our components.

In our Materials Handling Equipment business, our research and development efforts have focused on electric lift trucks with higher energy efficiency, improved fuel cell lift trucks, next-generation lift truck models, automated lift trucks and telematics systems to manage industrial machinery fleets. We began selling fuel cell lift trucks in November 2016 and are continuing to develop fuel cell technology for use in our materials handling equipment.

In our Automobile business, we have focused our research and development efforts on diesel engines, electric air-conditioning compressors for hybrid and electric vehicles, next-generation models of air-conditioning compressors for internal combustion vehicles and electronics components for hybrid, electric and fuel cell vehicles. For example, we developed the air compressor that supplies oxygen to the fuel cell stack for Toyota Motor's MIRAI fuel cell vehicle using technologies acquired in the development of our car air-conditioning compressors, and were awarded with the METI (The Ministry of Economy, Trade and Industry) Minister's Prize

Monodzukuri Nippon Grand Award in 2018. We plan to continue to focus on products and technologies to support the further development of fuel cell vehicles.

Competition

Materials Handling Equipment

In our Materials Handling Equipment business, we compete with other major lift truck and materials handling equipment manufacturers, including KION Group AG, Mitsubishi Logisnext Co., Ltd., Jungheinrich AG and Hyster-Yale Group, Inc. in the lift truck business. We also compete with Daifuku Co., Ltd., SSI SCHAEFER, Dematic of the KION Group AG and Murata Machinery, Ltd. in the logistics solutions business. The safety and reliability of our materials handling equipment are critical to our ability to compete as our customers are focused on ensuring the safety of their employees in handling heavy materials in environments that could be hazardous if equipment does not function properly. We also compete on the basis of price, quality, product lineup, brand and reputation. In order to remain competitive, it is also increasingly important for us to provide total logistics solutions in addition to high-quality equipment, flexible sales financing and leasing options and reliable, value-added after sales services. We have developed a strong reputation for quality of our products, solutions and services and our TOYOTA, BT, RAYMOND and CESAB brands are some of the most recognized brands in the industry.

Automobile

In our Automobile business, our relationship with Toyota Motor, DENSO and other Toyota Group companies mitigates our exposure to competition from companies outside the Toyota Group. However, to remain competitive, we must continue to provide products meeting the quality, product safety, environment, delivery and other specifications of our customers at competitive prices. As our automobile parts include key components such as engines and air-conditioning compressors that affect the functionality and safety of the automobile as a whole, the quality and reliability of our products is particularly critical. We also must work closely with customers to offer products that meet their specifications and needs as the automobile market evolves, and also continue to develop and strengthen our reputation and brand within the industry.

We face different competitive factors in each of our key product categories, including:

- *Car Air-conditioning Compressors.* Our primary competitors in the car air-conditioning compressor segment are Sanden Holdings Corporation and Hanon Systems. As a result of our close relationship with DENSO, one of the key factors in our ability to compete effectively is the continued competitiveness and success of DENSO. In particular, we work closely with DENSO in our car air-conditioning compressors business and sell it all of our car air-conditioning compressors, which DENSO resells to automobile manufacturers and other customers or incorporates into its car air-conditioning systems. We believe our relationship with DENSO as well as our and DENSO's relationship with Toyota Motor provides us with a unique competitive advantage and has allowed us to achieve the top market share in this segment, according to our internal analyses.
- *Engines.* Our engine products are sold primarily to Toyota Motor or used to produce our lift trucks and other materials handling equipment, which limits our exposure to competition from companies outside the Toyota Group. However, for a limited number of engine sales for non-automotive uses, we may compete with other major engine manufacturers.
- *Vehicles.* We face minimal competition from companies outside the Toyota Group in our vehicles business because we produce only specific vehicles for Toyota Motor. Toyota Motor decides whether to select us for the production of a certain vehicle model or to produce the model internally or through one of its subsidiaries. We work closely with Toyota Motor to ensure that we continue to meet the highest production standards and will continue to be selected as a producer for Toyota vehicles.
- *Electronics Parts, Foundry and Others.* While many of our products in this product category are sold within the Toyota Group, we face competition primarily from DENSO and other Toyota Group companies.

Textile Machinery

In our Textile Machinery business, we compete with other textile machinery manufacturers, including Tsudakoma Corp. and the Picanol Group. We primarily compete on the basis of price, quality, product specifications, energy efficiency, after sales services and reputation.

Environmental Matters

We view environmental issues as one of our key management priorities and seek to enhance consciousness of the environment in all aspects of our business. We have established four key aspirations in 2050 as key themes to organize our approach to environmental issues:

- establishing a low-carbon emission society;
- establishing a recycling-based society;
- reducing environmental risk and establishing a society in harmony with nature; and
- promoting environmental management.

As an initiative to work towards our broader aspirations, we formulated our Sixth Environmental Action Plan covering the five years from the year ended March 31, 2017 to the year ending March 31, 2021. We have established specific targets for the reduction of emissions and waste products from our manufacturing operations as well as goals to develop and commercialize products that achieve higher standards for energy efficiency and emissions. We have also integrated environmental awareness into our management systems through enhancing environmental compliance, maintaining purchasing guidelines that consider environmental matters and conducting internal educational activities.

Regulations

Environmental Regulations

We are subject to the requirements of environmental and safety and health laws and regulations in Japan and the other countries where we have manufacturing operations. These include laws regulating air emissions, water discharge, hazardous materials and waste management. We have an environmental management structure designed to facilitate and support our compliance with these requirements globally. Environmental requirements are complex, change frequently and have tended to become more stringent over time. Accordingly, we cannot assure that environmental requirements will not change or become more stringent in the future or that our eventual environmental costs and liabilities will not be material.

Certain environmental laws assess liability on current or previous owners or operators of real property for the cost of removal or remediation of hazardous substances. In addition to clean-up actions brought by regulatory agencies, private plaintiffs could raise personal injury or other private claims due to the presence of hazardous substances on or from a property. In addition, there may be soil or groundwater contamination at several of our properties resulting from historical, ongoing or nearby activities.

Automobile Emissions Regulations

The vehicles and engines we manufacture are subject to extensive statutory and regulatory requirements that directly or indirectly impose standards governing emission and noise. Our ability to comply with these and future emission standards is an essential element in maintaining our leadership position in regulated markets. We have made, and will continue to make, significant capital and research expenditures to comply with these standards. Regulation of emissions has become increasingly stringent in Japan, the United States, Europe as well as China, and we expect this trend to continue in the future.

Materials Handling Equipment Regulations

Our materials handling products must comply with certain regulatory requirements in the jurisdictions in which we operate and have to be certified to ensure compliance. These regulatory requirements are intended to minimize or eliminate the risks associated with using our lift trucks and warehousing equipment, in particular the related impact on drivers and employees at our production facilities. Our products are also subject to laws and regulations relating to the protection of the environment, including those governing vehicle emissions. Regulatory agencies in the United States and Europe have issued or proposed various regulations and directives designed to reduce emissions from spark-ignited engines and diesel engines used in off-road vehicles, such as industrial lift trucks. These regulations require us and other lift truck manufacturers to incur costs to modify designs and manufacturing processes and to perform additional testing and reporting.

Financial Regulations

Financial services provided by us are subject to banking and other regulatory requirements. To the extent we provide regulated financial services, we must comply with regulatory requirements, including risk management requirements and notification and reporting requirements.

Other

In addition to the laws and regulations described above, we are subject to a range of other laws and regulations in the jurisdictions in which we operate including laws relating to employment and labor, product liability, foreign trade, anti-bribery and anti-corruption, international sanctions, antitrust, antimonopoly, cartel and unfair competition and various other areas.

Insurance

We maintain insurance policies that we believe are comparable to those of other companies with similar operations. Our policies cover the value, or a portion of the value, of buildings, plant and machinery, stocks and goods-in-transit as well as business interruption with respect to our major production facilities. We also maintain coverage for product liability claims with respect to products designed, manufactured and sold by us and our major subsidiaries. Coverage of losses relating to earthquakes, political unrest or economic upheaval under these insurance policies is generally limited. We do not maintain earthquake insurance in Japan.

Facilities

Our main manufacturing facilities are located in the Aichi prefecture of Japan in close proximity to Toyota Motor's main manufacturing facilities. We also have manufacturing facilities in other locations around the world, including in the United States, China, Sweden, Italy, France, Germany, India and Indonesia.

The following table shows our major facilities and their book values and areas as of March 31, 2017.

Facility Name	Location	Segment	Type of Facility	Book Value (in millions of yen)				
				Buildings and Structures	Machinery, Equipment and Vehicles	Land	Other	Total
TOYOTA INDUSTRIES CORPORATION								
Hekinan Plant	Hekinan-shi, Aichi Prefecture	Automobile	Manufacturing facility for gasoline and diesel engines	¥7,598	¥12,341	¥14,674 (413) (*1)	¥ 400	¥35,016
Nagakusa Plant	Obu-shi, Aichi Prefecture	Automobile	Manufacturing facility for passenger vehicles	6,339	11,465	6,044 (366) (*43)	764	24,613
Kariya Plant	Kariya-shi, Aichi Prefecture	Automobile / Textile Machinery	Manufacturing facility for car air-conditioning compressors and textile machinery	4,511	10,774	2,914 (177) (*31)	341	18,542
Higashichita Plant	Handa-shi, Aichi Prefecture	Automobile	Manufacturing facility for engine foundry parts and diesel engines	6,079	8,174	4,133 (330)	153	18,541
Takahama Plant	Takahama-shi, Aichi Prefecture	Materials Handling Equipment	Manufacturing facility for industrial equipment	7,165	5,012	3,416 (338) (*74)	399	15,993
Kyowa Plant	Obu-shi, Aichi Prefecture	Automobile	Manufacturing facility for passenger vehicle parts and automotive press dies	8,299	5,155	1,543 (150) (*22)	707	15,705

Facility Name	Location	Segment	Type of Facility	Book Value (in millions of yen)				
				Buildings and Structures	Machinery, Equipment and Vehicles	Land	Other	Total
<i>Anjo Plant</i>	Anjo-shi, Aichi Prefecture	Automobile	Manufacturing facility for electronic equipment	4,182	2,071	3,986 (111)	62	10,303
<i>Obu Plant</i>	Obu-shi, Aichi Prefecture	Automobile	Manufacturing facility for car air-conditioning compressor parts	3,758	3,573	1,202 (148) (*0)	673	9,207
<i>Higashiura Plant</i>	Higashiura-cho, Chita-gun, Aichi Prefecture	Automobile	Manufacturing facility for car air-conditioning compressor parts	2,631	3,640	2,709 (244) (*4)	19	9,000
Domestic Subsidiaries								
<i>Aichi Corporation</i>	Ageo-shi, Saitama Prefecture	Materials Handling Equipment	Manufacturing facility for aerial work platforms	9,139	4,597	8,825 (307) (*49)	694	23,255
<i>Tokai Seiki Co., Ltd.</i>	Iwata-shi, Shizuoka Prefecture	Automobile	Manufacturing facility for automobile parts	1,674	4,234	2,601 (119) (*4)	1,209	9,719
<i>Tokyu Co., Ltd.</i>	Oguchi-cho, Niwa-gun, Aichi Prefecture	Automobile / Others	Manufacturing facility for automobile parts, foundry machine and other products	2,832	3,143	3,049 (79)	139	9,164
Overseas Subsidiaries								
<i>Toyota Industries Compressor Parts America, Co.</i>	Georgia, USA	Automobile	Manufacturing facility for car air-conditioning compressor parts	6,640	24,407	— (*137)	192	31,240
<i>Michigan Automotive Compressor, Inc.</i>	Michigan, USA	Automobile	Manufacturing facility for car air-conditioning compressors	4,219	19,946	115 (421)	482	24,764
<i>Toyota Industry (Kunshan) Co., Ltd.</i>	Jiangsu, China	Automobile / Materials Handling Equipment	Manufacturing facility for foundry parts and industrial equipment	3,718	7,222	— (*300)	2,113	13,054
<i>Toyota Industries Engine India Private Limited</i>	Bengaluru, India	Automobile	Manufacturing facility for engines	2,207	12,002	906 (125)	919	16,036
<i>TD Deutsche Klimakompressor GmbH</i>	Freistaat Sachsen, Germany	Automobile	Manufacturing facility for car air-conditioning compressors	2,983	5,815	306 (299)	551	9,656
<i>P.T. TD Automotive Compressor Indonesia</i>	Bekasi, Indonesia	Automobile	Manufacturing facility for car air-conditioning compressors	1,802	7,786	1,569 (100) (*6)	883	12,041
<i>TD Automotive Compressor Georgia, LLC</i>	Georgia, USA	Automobile	Manufacturing facility for car air-conditioning compressors	1,949	7,697	322 (613)	450	10,419
<i>Cascade Corporation</i>	Oregon, USA	Materials Handling Equipment	Manufacturing facility for industrial equipment attachments	2,627	4,753	679 (270)	779	8,841

Facility Name	Location	Segment	Type of Facility	Book Value (in millions of yen)				
				Buildings and Structures	Machinery, Equipment and Vehicles	Land	Other	Total
Toyota Industrial Equipment Mfg., Inc.	Indiana, USA	Materials Handling Equipment	Manufacturing facility for industrial equipment	5,063	3,259	277 (511)	1,665	10,266

Notes:

- (1) Book values presented in the table do not include construction in progress.
- (2) Figures in parentheses show the area of land in thousands of square meters.
- (3) Figures for TOYOTA INDUSTRIES CORPORATION include assets leased to other parties comprising land of ¥22 million, buildings and structures of ¥238 million, machine equipment and delivery equipment of ¥1,521 million and other assets of ¥7 million.
- (4) Figures in parentheses with an asterisk show the additional area of land under lease in thousands of square meters.

Intellectual Property

We own approximately 5,000 various intellectual properties necessary for our business in Japan and other countries in which we operate, such as patents related to our products, product designs and manufacturing methods. We also have registered trademarks for our brands, including BT, RAYMOND and CESAB in our Materials Handling Equipment business. In addition, we have also entered into a license agreement with Toyota Motor for the use of the TOYOTA brand in our business operations.

Employees

As of December 31, 2017, we had 60,429 full-time employees on a consolidated basis. The following table shows a breakdown of our employees in each business segment, as of December 31, 2017.

Business Segment	Number of full-time employees
Materials Handling Equipment.....	35,181
Automobile	18,811
Textile Machinery	1,558
Others	4,879
Total.....	60,429

We also hire temporary employees from time to time as needed.

As of December 31, 2017, approximately 12,000 of our employees were members of the Toyota Industries Workers' Union. Some employees of certain of our subsidiaries are also members of separate labor unions established to represent employees of such subsidiaries. We believe our labor relations are good.

Legal Proceedings

Due to the nature of our business, we are subject to the risk of litigation from third parties in connection with claims such as product liability, personal injury, labor and employment issues, land ownership and use and environmental pollution in the ordinary course of business. In the event of an adverse judgment or out-of-court settlement, our financial condition and results of operations could be adversely affected. We are not currently subject to any litigation that we believe is material to our business, financial condition or results of operations.

MANAGEMENT

Directors and Audit & Supervisory Board Members

Our Board of Directors carries the ultimate responsibility for the administration of our affairs. Our articles of incorporation provide for the Board of Directors of not more than 20 members and Audit & Supervisory Board Members of not more than five members. All Directors and Audit & Supervisory Board Members are elected at general meetings of shareholders. The normal term of office of Directors expires at the close of the ordinary general meeting of shareholders held with respect to the last business year ending within one year after such Director's election and that of Audit & Supervisory Board Members expires at the close of the ordinary general meeting of shareholders held with respect to the last business year ending within four years after such Audit & Supervisory Board Member's election, although they may serve any number of consecutive terms.

The Board of Directors must elect from among its members one or more Representative Directors, each of whom has power to represent us in all matters. The Board of Directors may also elect from among its members a Chairman, a President and one or more Executive Vice Chairmen and Executive Vice Presidents.

The Audit & Supervisory Board Members are not required to be certified public accountants, but may not at the same time be our Directors or employees, or directors or employees of any of our subsidiaries.

Under Japanese law, the Audit & Supervisory Board Members have the statutory duty of supervising the administration of our affairs by the Directors and also of examining the financial statements and business reports to be submitted by the relevant Directors to general meetings of shareholders. The Audit & Supervisory Board Members must attend meetings of the Board of Directors and express opinions thereat, if necessary, but they are not entitled to vote.

We must appoint independent certified public accountants or audit corporations, or independent auditor, in addition to Audit & Supervisory Board Members. Such independent auditors have the statutory duty of examining the financial statements, prepared in accordance with the Companies Act of Japan (Act No. 86 of 2005, as amended), or the Companies Act and other related laws and regulations, to be submitted by a Representative Director to general meetings of shareholders and reporting their opinions thereon to the relevant Audit & Supervisory Board Members and the Directors. Our independent auditor for such purposes is PricewaterhouseCoopers Aarata LLC.

The names and titles of our Directors as of the date of this offering circular are as follows:

Name	Title	Director Since
Tetsuro Toyoda.....	Representative Director and Chairman	June 1991
Akira Onishi.....	Representative Director and President	June 2010
Kazue Sasaki.....	Representative Director and Executive Vice President	June 2010
Shinya Furukawa	Representative Director and Executive Vice President	June 2010
Masaharu Suzuki.....	Representative Director and Executive Vice President	June 2011
Takuo Sasaki ⁽¹⁾	Director	June 2015
Kan Otsuka ⁽¹⁾	Director	June 2013
Taku Yamamoto ⁽¹⁾	Director	June 2014
Shuzo Sumi.....	Outside Director	June 2014
Kenichiro Yamanishi	Outside Director	June 2015
Mitsuhisa Kato	Outside Director	June 2015

Note:

(1) Takuo Sasaki, Kan Otsuka and Taku Yamamoto are also Senior Managing Officers.

Tetsuro Toyoda was appointed as Senior Chairman of TICO in June 2013. Mr. Toyoda currently also serves as Chairman of the Central Japan Economic Federation, which he was appointed to in June 2016. He joined Toyota Motor Sales Co., Ltd. in April 1970 and previously served in a number of key positions including Vice President of Toyota Motor Sales, U.S.A., Inc. and Managing Director, Senior Managing Director, Executive Vice President and President of TICO.

Akira Onishi was appointed as President of TICO in June 2013. He joined TICO in April 1981 and has previously served in a number of key positions including Director, Managing Officer, Senior Managing Officer and Senior Managing Director.

Kazue Sasaki was appointed as Executive Vice President of TICO in June 2013. He joined TICO in April 1977 and has previously served in a number of key positions including Director, Managing Officer, Senior Managing Officer and Senior Managing Director.

Shinya Furukawa was appointed as Executive Vice President of TICO in June 2015. He joined Toyota Motor Sales Co., Ltd. in April 1977 and has previously served in a number of key positions including Director, Managing Officer, Senior Managing Officer and Senior Managing Director of TICO.

Masaharu Suzuki was appointed as Executive Vice President of TICO in June 2016. He joined TICO in April 1976 and has previously served as Managing Officer and Senior Managing Director.

Takuo Sasaki was appointed as Director and Senior Managing Officer of TICO in June 2016. He joined Toyota Motor in April 1980 and has previously served in a number of key positions including Managing Officer, Advisor and Managing Officer of Toyota Motor, President of Toyota Financial Services Corporation as well as Advisor and Senior Managing Director of TICO.

Kan Otsuka was appointed as Director and Senior Managing Officer of TICO in June 2016. He joined Toyota Motor in April 1977 and has previously served as Senior Managing Officer of TICO.

Taku Yamamoto was appointed as Director and Senior Managing Officer of TICO in June 2016. He joined TICO in April 1979 and has previously served as Senior Managing Officer.

Shuzo Sumi was appointed as Outside Director of TICO in June 2014. Mr. Sumi started his career at The Tokio Marine & Fire Insurance Co., Ltd. in April 1970, where he served as Director and Chief Representative in London and Managing Director. He also served in a number of key positions of Tokio Marine & Nichido Fire Insurance Co., Ltd., including Managing Director, Senior Managing Director, President and Chief Executive Officer and Chairman of the Board. In addition, he also served as President and Chief Executive Officer of Tokio Marine Holdings, Inc. and currently serves as the Chairman of the Board.

Kenichiro Yamanishi was appointed as Outside Director of TICO in June 2015. Mr. Yamanishi started his career at Mitsubishi Electric Corporation in April 1975, where he served as Executive Officer, Senior Executive Officer, Representative Executive Officer and President & CEO, Director, Representative Executive Officer and President & CEO, and currently serves as Chairman.

Mitsuhisa Kato was appointed as Outside Director of TICO in June 2015. Mr. Kato joined Toyota Motor in April 1975 and has previously served as Managing Officer, Advisor, Senior Managing Director, Senior Managing Officer, Executive Vice President, Director of Toyota Motor, and currently serves as Senior Advisor of Toyota Motor. He also served as President of Toyota Technocraft Co., Ltd. In addition, he currently serves as Chairman of Toyota Central R&D Labs., Inc.

The names and titles of our Audit & Supervisory Board Members as of the date of this offering circular are as follows:

Name	Title	Member Since
Toshifumi Ogawa.....	Full-Time Audit & Supervisory Board Member	June 2016
Kohei Nozaki	Full-Time Audit & Supervisory Board Member	June 2014
Hans-Juergen Marx	Outside Audit & Supervisory Board Member	June 2010
Takahiko Ijichi	Outside Audit & Supervisory Board Member	June 2015
Akihisa Mizuno	Outside Audit & Supervisory Board Member	June 2016

Toshifumi Ogawa was appointed Full-Time Audit & Supervisory Board Member in June 2016. Mr. Ogawa joined TICO in April 1976 and has previously served in a number of key positions including Managing Officer, Senior Managing Officer, Director and Senior Managing Director.

Kohei Nozaki was appointed Full-Time Audit & Supervisory Board Member in June 2014. Mr. Nozaki joined TICO in April 1980 and has previously served as Managing Officer and Senior Managing Officer.

Hans-Juergen Marx was appointed Outside Audit & Supervisory Board Member in June 2010. Mr. Marx has served in a number of positions at Nanzan University, including Assistant Professor of Faculty of Literature, Professor of Faculty of Literature, President and Professor of Faculty of Humanities. He also served as Chairman and Director of Nanzan School Corporation. In addition, he currently serves as President of Fuji Women's University.

Takahiko Ijichi was appointed Outside Audit & Supervisory Board Member in June 2015. Mr. Ijichi joined Toyota Motor in April 1976 and was appointed Managing Officer, Senior Managing Director, Director and Senior Managing Officer, Advisor, Executive Vice President and currently serves as Senior Advisor. He also served as Director and President of Towa Real Estate Co., Ltd.

Akihisa Mizuno was appointed Outside Audit & Supervisory Board Member in June 2016. Mr. Mizuno started his career at Chubu Electric Power Co., Inc. in April 1978, where he has served in a number of key positions including Director, Senior Managing Executive Officer and General Manager of Corporate Planning & Strategy Division, Representative Director and Executive Vice President, General Manager of Corporate Planning & Strategy Division, General Manager of Affiliated Business Planning & Development Department, President & Director and currently serves as Chairman of the Board of Directors.

The names and titles of our Managing Officers as of the date of this offering circular are as follows:

Name	Title
Takuo Sasaki ⁽¹⁾	Senior Managing Officer
Toshifumi Onishi	Senior Managing Officer
Kan Otsuka ⁽¹⁾	Senior Managing Officer
Taku Yamamoto ⁽¹⁾	Senior Managing Officer
Keiichi Fukunaga	Senior Managing Officer
Junichi Harada	Senior Managing Officer
Yukihisa Tsuchimoto	Managing Officer
Takashi Ito	Managing Officer
Toshiya Yamagishi	Managing Officer
Mikihiko Okamoto	Managing Officer
Yojiro Mizuno	Managing Officer
Masahiro Kawaguchi	Managing Officer
Yuji Ishizaki	Managing Officer
Keizo Hara	Managing Officer
Kiyotsugu Kurimoto	Managing Officer
Masafumi Kunito	Managing Officer
Toshihiko Shimizu	Managing Officer
Koichi Ito	Managing Officer
Yasushi Kawai	Managing Officer
Hiroaki Kayukawa	Managing Officer
Toru Inagawa	Managing Officer
Hiroshi Matsumoto	Managing Officer
Kota Otoshi	Managing Officer
Norio Wakabayashi	Managing Officer
Kazunari Masuoka	Managing Officer
Kazunari Kumakura	Managing Officer
Hiroaki Matsuda	Managing Officer
Hisashi Ichijo	Managing Officer
Nobutomo Yasui	Managing Officer
Shunji Sugimoto	Managing Officer
Hisanori Miyajima	Managing Officer

Note:

(1) Takuo Sasaki, Kan Otsuka and Taku Yamamoto are concurrently serving as Directors.

Agreements with Our Directors and Audit & Supervisory Board Members

Under the Companies Act and our articles of incorporation, we may enter into agreements with our Directors (excluding executive directors (as defined under the Companies Act)) and Audit & Supervisory Board Members to limit their respective liabilities to us arising from their failure to execute their duties in good faith and without gross negligence, subject to applicable laws and regulations. We have entered into such agreements with each Outside Director and Outside Audit & Supervisory Board Members which limit the maximum amount of their liability to us to the minimum amount stipulated by applicable laws and regulations, so long as those Outside Directors and Outside Audit & Supervisory Board Members have acted in good faith and without gross negligence in performing their duties.

Executive Compensation

The total aggregate compensation for our Directors and Audit & Supervisory Board Members during the year ended March 31, 2017 was ¥863 million and consisted of aggregate compensation to our Directors (excluding Outside Directors) of ¥685 million, aggregate compensation to our Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) of ¥83 million and aggregate compensation for our Outside Directors and Outside Audit & Supervisory Board Members of ¥95 million.

We do not have any other arrangements involving our employees in our capital, including any arrangement that involves the issue or grant of options, shares, or securities.

RELATED PARTY TRANSACTIONS

From time to time, we enter into agreements and engage in transactions with our subsidiaries and affiliates. Set forth below is a brief description of transactions we have entered into with Toyota Motor and its consolidated subsidiaries in the year ended March 31, 2017 and the nine-month period ended December 31, 2017. For more information on these transactions and information on prior periods, please see Note 32 to our audited consolidated financial statements as of and for the year ended March 31, 2017 and Note 11 to our unaudited condensed quarterly consolidated financial statements as of and for the three-month and nine-month periods ended December 31, 2017, respectively, included elsewhere in this offering circular.

Type of transaction	For the year ended March 31, 2017	For the nine-month period ended December 31, 2017
	(in millions of yen)	
Sale of goods and provision of services ⁽¹⁾	¥ 205,938	¥ 169,692
Purchase of parts and receipt of services	22,841	14,119

Note:

(1) Included in outside customer sales of the Automobile, Materials Handling Equipment and Others segments.

Except for the transactions described above and in the notes to our consolidated financial statements contained elsewhere in this offering circular, there have been no material transactions between us and any of our Directors, Audit & Supervisory Board Members, Managing Officers or any companies over which any of them have any significant influence.

SUBSIDIARIES AND AFFILIATES

As of December 31, 2017, we had 256 consolidated subsidiaries and 24 equity-method affiliates. The following table presents our major subsidiaries as of December 31, 2017:

Company Name	Location	Issued Capital	Percentage of outstanding shares held by us (%)	Principal Business
Tokyu Co., Ltd.....	Aichi, Japan	¥135 million	100.00	Automobile
Tokai Seiki Co., Ltd.	Shizuoka, Japan	¥98 million	100.00	Automobile
IZUMI MACHINE MFG. CO., LTD.	Aichi, Japan	¥150 million	100.00	Automobile
TOYOTA L&F Tokyo Co., Ltd.	Tokyo, Japan	¥350 million	100.00	Materials Handling Equipment
Taikoh Transportation Co., Ltd.	Aichi, Japan	¥83 million	53.10	Others
Aichi Corporation.....	Saitama, Japan	¥10,425 million	52.20	Materials Handling Equipment
Toyota Industrial Equipment Mfg., Inc.	Indiana, U.S.A.	USD 60 million	100.00	Materials Handling Equipment
Toyota Material Handling Manufacturing France S.A.S	Ancenis, France	EUR 9 million	100.00	Materials Handling Equipment
Michigan Automotive Compressor Inc.....	Michigan, U.S.A.	USD 146 million	60.00	Automobile
Toyota Industries Europe AB....	Mjölby, Sweden	SEK 13,743 million	100.00	Materials Handling Equipment
Toyota Material Handling Europe AB.....	Mjölby, Sweden	SEK 1,816 million	100.00	Materials Handling Equipment
Toyota Industries North America, Inc.	Indiana, U.S.A.	USD 1,077.9 million	100.00	Others
Toyota Material Handling U.S.A. Inc.....	Indiana, U.S.A.	USD 12.5 million	100.00	Materials Handling Equipment
TD Deutsche Klimakompressor GmbH.....	Sachsen, Germany	EUR 20,451 thousand	65.00	Automobile
Toyota Material Handling Australia Pty Limited	New South Wales, Australia	AUD 211.8 million	100.00	Materials Handling Equipment
TD Automotive Compressor Georgia, LLC	Georgia, U.S.A.	USD 155 million	77.40	Automobile
Uster Technologies AG	Zurich, Switzerland	CHF 82,302 thousand	100.00	Textile Machinery
Industrial Components and Attachments, Inc.	Oregon, U.S.A.	USD 428,832 thousand	100.00	Materials Handling Equipment
Cascade Corporation	Oregon, U.S.A.	USD 7,070 thousand	100.00	Materials Handling Equipment
Toyota Industry (Kunshan) Co., Ltd.	Jiangsu, China	USD 61,840 thousand	63.40	Automobile
Toyota Industries Commercial Finance, Inc.....	Texas, U.S.A.	USD 400 million	100.00	Materials Handling Equipment
Yantai Shougang TD Automotive Compressor Co., Ltd.	Shandong, China	¥3,675 million	50.10	Automobile
Bastian Solutions LLC	Indiana, U.S.A.	USD 15 million	100.00	Materials Handling Equipment
Vanderlande Industries Holding B.V.	Veghel, Netherlands	EUR 1 million	100.00	Materials Handling Equipment

DESCRIPTION OF THE NOTES

The following description of the notes is a summary of the detailed provisions of the notes and the Indenture (as defined below). It does not purport to be complete. This summary is subject to and is qualified by reference to all the provisions of the notes and the Indenture, including the definitions of certain terms used therein. We urge you to read those documents in their entirety because they, and not this description, define the rights of holders of the notes. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. You may request copies of those documents upon written request from the corporate trust office of the trustee located at 1251 Avenue of the Americas, 19th Floor, New York, NY 10020, United States of America. In this section, references to the “Company” refer to TOYOTA INDUSTRIES CORPORATION.

The notes will be issued pursuant to an indenture to be dated as of or around March 16, 2018, between the Company and MUFG Union Bank, N.A., as trustee, which we refer to herein as the “Indenture.”

General

The notes will be issued only in fully registered form without interest coupons in minimum denominations of \$200,000 and integral multiples of \$1,000 in excess thereof. The notes will be represented by one or more registered notes in global form without coupons and in certain circumstances may be represented by registered notes in definitive form.

The Indenture and the notes do not contain any financial covenants or restrictions on the payment of dividends, the incurrence of indebtedness, including other senior indebtedness (other than as set forth below under “—Negative Pledge”), or the issuance or repurchase of the Company’s securities. The Indenture and the notes do not contain any covenants or other provisions to afford protection to holders of the notes in the event of a highly-leveraged transaction or a change in control of the Company.

The notes have not been and will not be registered with the United States Securities and Exchange Commission, or the SEC, and are being offered and sold by the initial purchasers or their affiliates outside the United States in offshore transactions only to non-U.S. persons in reliance on Regulation S under the Securities Act and by the initial purchasers or their affiliates inside the United States to QIBs in reliance on Rule 144A under the Securities Act. Accordingly, the Indenture is not required to be, and has not been, qualified under the U.S. Trust Indenture Act of 1939, as amended, or the Trust Indenture Act.

Status of the Notes

The notes of each series will be the Company’s direct, unconditional, unsubordinated and general obligations and will rank *pari passu* and without any preference among themselves and with all of the Company’s other unsecured and unsubordinated indebtedness (except for statutorily preferred obligations), from time to time outstanding.

Claims of the creditors of the Company’s subsidiaries will generally have priority with respect to the properties or assets of such subsidiaries over the claims of the Company’s creditors, including holders of the notes. Accordingly, with respect to the properties or assets held by the Company’s subsidiaries, the notes will be effectively subordinated to creditors, including trade creditors, of the Company’s subsidiaries. The Indenture does not restrict the ability of the Company’s subsidiaries to incur indebtedness.

Principal, Maturity and Interest

The initial aggregate principal amount of the 5-year notes is \$500,000,000. The 5-year notes will mature on March 16, 2023. Principal will be repaid at maturity at a price of 100% of the principal amount of the 5-year notes. The 5-year notes will not be redeemable prior to maturity, except as set forth below under “—Optional Redemption” and “—Optional Tax Redemption,” and will not be subject to any sinking fund.

The initial aggregate principal amount of the 10-year notes is \$500,000,000. The 10-year notes will mature on March 16, 2028. Principal will be repaid at maturity at a price of 100% of the principal amount of the 10-year notes. The 10-year notes will not be redeemable prior to maturity, except as set forth below under “—Optional Redemption” and “—Optional Tax Redemption,” and will not be subject to any sinking fund.

Interest on the 5-year notes and 10-year notes will accrue at the rate of 3.235% per annum and 3.566% per annum, respectively. The Company will pay interest on the notes semi-annually in arrears on March 16 and September 16 of each year (each, an “interest payment date”), beginning on September 16, 2018.

The Company will pay interest to the holders of record of the notes on the day 15 calendar days immediately preceding such interest payment date. Interest on the notes will be paid to but excluding the relevant interest payment date. Interest on the notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. The Company will compute interest on the basis of a 360-day year consisting of twelve 30-day months.

If any date for payment of principal, premium, if any, or interest in respect of the notes falls on a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such next succeeding Business Day shall have the same force and effect as if made on the due date, and no interest shall accrue with respect to such payment for the period after such date.

For purposes of the notes and the Indenture, the term “Business Day” shall mean a day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in The City of New York or Tokyo.

Repurchase

The Company, or any of its subsidiaries, may at any time repurchase any or all of the notes in the open market or otherwise at any price. Subject to applicable law, neither the Company nor any of its subsidiaries shall have any obligation to offer to repurchase any notes held by any holder as a result of the Company’s or any subsidiary’s repurchase or offer to repurchase notes held by any other holder in the open market or otherwise.

Any notes so repurchased by the Company or its subsidiaries shall be cancelled.

Optional Redemption

The Company has the option to redeem the notes of each series, in whole or in part, at any time prior to February 16, 2023 (the date that is one month before maturity) in the case of the 5-year notes, and December 16, 2027 (the date that is three months before maturity) in the case of the 10-year notes, or in each case, the Par Call Date, upon giving not less than 30 nor more than 60 days’ prior notice of redemption to the trustee and the holders.

The redemption price for the series of notes to be redeemed will be equal to the greater of:

- (i) 100% of the principal amount of the notes being redeemed; or
- (ii) the sum of the present values of the principal and the remaining scheduled payments of interest on the notes of the series being redeemed (exclusive of interest accrued to the date of redemption) that would be due if such notes were redeemed on the Par Call Date for such series of notes, discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 10 basis points in the case of the 5-year notes, and at the Treasury Rate plus 15 basis points in the case of the 10-year notes,

plus, in each case, accrued and unpaid interest on the principal amount of the notes of the series being redeemed to, but excluding, the date of redemption.

The Company has the option to redeem the notes of each series, in whole or in part, at any time on or after the Par Call Date for such series of notes, upon giving not less than 30 nor more than 60 days’ prior notice of redemption to the trustee and the holders, at a redemption price equal to 100% of the principal amount of the notes of such series to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to, but excluding, the date of redemption.

If less than all of the notes of a series are to be redeemed, such notes shall be redeemed on a *pro rata* basis (or, in the case of notes represented by global notes, in accordance with the procedures of DTC), based on the then outstanding principal amount of each note of such series, provided, however, that if any such pro-rated redemption would result in any notes of such series having an authorized principal amount of less than the minimum authorized denomination, all such notes of such series shall be redeemed in full prior to the redemption of any other notes of such series, except as may be provided in the form of note or in any indenture supplemental thereto. Unless the context otherwise requires, all provisions relating to the redemption of the notes shall relate, in the case of any note redeemed or to be redeemed only in part, to the portion of the principal amount of such note which has been or is to be redeemed.

“Comparable Treasury Issue” means the United States Treasury security or securities selected by the Independent Investment Banker as having an actual or interpolated maturity comparable to the term from the relevant redemption date to the applicable Par Call Date that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of maturity comparable to the term from the relevant redemption date to the applicable Par Call Date.

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of four Reference Treasury Dealer Quotations for such redemption date or (2) if the Independent Investment Banker is unable to obtain four Reference Treasury Dealer Quotations for such redemption date, the average of all quotations obtained.

“Independent Investment Banker” means an independent investment banking or commercial banking institution of national standing appointed by the Company.

“Reference Treasury Dealer” means each of Nomura Securities International, Inc. and Morgan Stanley & Co. LLC (or their respective affiliates that are primary U.S. government securities dealers in New York City) and two other primary U.S. government securities dealers in New York City, or a Primary Treasury Dealer, selected by the Company, and their respective successors; provided, however, that if any of the foregoing shall cease to be a Primary Treasury Dealer, the Company shall substitute therefor another Primary Treasury Dealer.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any date of redemption, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker at 3:30 p.m., New York City time, on the third New York business day preceding the date of redemption.

“Treasury Rate” means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated (on a day count basis) maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Merger, Consolidation, Sale or Disposition

The Indenture provides that the Company may not merge or consolidate into any other corporation, entity or person (if the Company is not the succeeding entity), or sell, lease or dispose of all or substantially all of its properties and assets (including by way of a corporate split (*kaisha bunkatsu*)), whether as a single transaction or a number of transactions, related or not, to any other corporation, entity or person unless:

- (i) the corporation, entity or person assumes or succeeds to the Company’s obligations under the notes and the Indenture (and, if such corporation, entity or person is organized in a jurisdiction other than Japan, agrees to pay any additional amounts in respect of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the jurisdiction of tax residence of such corporation, entity or person, or any authority therein or thereof having power to tax, corresponding to the obligation to pay additional amounts as described under “—Taxation and Additional Amounts” substituting such jurisdiction for references to “Japan”) pursuant to a supplemental indenture;
- (ii) after giving effect thereto, no event of default with respect to the notes of either series shall have occurred and be continuing (such permitted transaction, a “Succession Event”); and
- (iii) the Company delivers to the trustee an officer’s certificate and opinion of counsel to the effect that such Succession Event complies with the requirements of the Indenture.

Taxation and Additional Amounts

All payments of principal, premium, if any, and interest in respect of the notes by the Company shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law or by the relevant authority. In such event, the Company shall pay such additional amounts as will result in the receipt by the holders of such

amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any notes under any of the following circumstances:

- (i) the holder or beneficial owner of the notes is an individual non-resident of Japan or a non-Japanese corporation and is liable for such taxes in respect of such notes by reason of its (A) having some present or former connection with Japan other than the mere holding of such notes or (B) being a person having a special relationship with the Company as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order (a “specially-related person of the Company”);
- (ii) the holder or beneficial owner of the notes (A) who would otherwise be exempt from any such withholding or deduction but fails to comply with any applicable requirement to provide Interest Recipient Information (as defined below) or to submit a Written Application for Tax Exemption (as defined below) to the Company and relevant paying agent to whom the relevant notes are presented (where presentation is required), or (B) whose Interest Recipient Information is not duly communicated through the relevant Participant (as defined below) and the relevant international clearing organization to the Company and such paying agent;
- (iii) the holder or beneficial owner of the notes is for Japanese tax purposes treated as an individual resident of Japan or a Japanese corporation (except for (A) a Designated Financial Institution (as defined below) that complies with the requirement to provide Interest Recipient Information or to submit a Written Application for Tax Exemption and (B) an individual resident of Japan or a Japanese corporation that duly notifies (directly, through the relevant Participant or otherwise) the Company and the relevant paying agent of such individual resident’s status as not being subject to taxes to be withheld or deducted by the Company by reason of receipt by such individual resident of Japan or Japanese corporation of interest on such notes through a payment handling agent in Japan appointed by it);
- (iv) the note is presented for payment (where presentation is required) more than 30 days after the day on which such payment on the notes became due or after the full payment was provided for, whichever occurs later, except to the extent the holder or beneficial owner thereof would have been entitled to additional amounts on presenting the same for payment on the last day of such period of 30 days;
- (v) the holder of the notes is a fiduciary or partnership or is not the sole beneficial owner of the payment of the principal of, or premium, if any, or any interest on, any note, and Japanese law requires the payment to be included for tax purposes in the income of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner, in each case, who would not have been entitled to such additional amounts had it been the beneficial owner of such note; or
- (vi) any combination of (i) through (v) above.

In addition, no additional amounts will be payable for, or on account of, any deduction or withholding imposed pursuant to Sections 1471-1474 of the U.S. Internal Revenue Code of 1986, as amended, the U.S. Treasury regulations thereunder and any other official guidance thereunder (“FATCA”), any intergovernmental agreement entered into with respect to FATCA, or any law, regulation or other official guidance enacted in any jurisdiction implementing, or relating to, FATCA, similar legislation under the laws of any other jurisdiction, or any such intergovernmental agreement.

Where the notes are held through a participant of an international clearing organization, such as DTC, Euroclear or Clearstream, or a financial intermediary (referred to in this section as a “Participant”), in order to receive payments free of withholding or deduction by the Company for, or on account, of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Japanese financial institution (referred to in this section as a “Designated Financial Institution”) falling under certain categories prescribed by the Special Taxation Measures Act, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, at the time of entrusting a Participant with the custody of the relevant notes, provide certain information prescribed by the Special Taxation Measures Act (referred to in this section as “Interest Recipient Information”) to enable the Participant to establish that such beneficial owner is

exempted from the requirement for taxes to be withheld or deducted, and advise the Participant if the beneficial owner ceases to be so exempted (including the case where a beneficial owner that is an individual non-resident of Japan or a non-Japanese corporation becomes a specially-related person of the Company).

Where the notes are not held by a Participant, in order to receive payments free of withholding or deduction by the Company for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Japan, or any authority thereof or therein having power to tax, if the relevant beneficial owner is (a) an individual non-resident of Japan or a non-Japanese corporation (other than a specially-related person of the Company) or (b) a Designated Financial Institution, all in accordance with the Special Taxation Measures Act, such beneficial owner shall, prior to each time at which it receives interest, submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*) (referred to in this section as a “Written Application for Tax Exemption”) in a form obtainable from the paying agent stating, *inter alia*, the name and address of the beneficial owner, the title of the notes, the relevant interest payment date, the amount of interest and the fact that the beneficial owner is qualified to submit the Written Application for Tax Exemption, together with documentary evidence regarding its identity and residence.

The Company will make any required withholding or deduction and remit the full amount withheld or deducted to the Japanese taxing authority in accordance with applicable law, if the Company is required by Japanese law to make any such withholding or deduction. The Company will use commercially reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any tax, duty, assessment, fee or other governmental charge so withheld or deducted from the Japanese taxing authority imposing such tax, duty, assessment or other governmental charge, and if certified copies are not available, the Company will obtain other evidence satisfactory to the trustee, and the trustee shall make such certified copies or other evidence available to the holders of the notes upon reasonable request to the trustee.

The obligation to pay additional amounts with respect to any taxes, duties, assessments and other governmental charges shall not apply to (A) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment, fee or other governmental charge or (B) any tax, duty, assessment, fee or other governmental charge which is payable otherwise than by withholding or deduction from payments of principal of, or premium, if any, or interest on, the notes; provided that, except as otherwise set forth in the notes and in the Indenture, the Company will pay all stamp, court or documentary taxes or any excise or property taxes, charges or similar levies and other duties, if any, which may be imposed by Japan, the United States or any political subdivision or any taxing authority thereof or therein, with respect to the Indenture or as a consequence of the initial issuance, execution, delivery, registration or enforcement of the notes.

For the avoidance of doubt, references to principal, premium, if any, and interest in respect of the notes shall be deemed to include any additional amounts due which may be payable as set forth in the notes and the Indenture.

Optional Tax Redemption

The notes of each series may be redeemed at any time, at the Company’s option and sole discretion, in whole, but not in part, subject to compliance with applicable regulatory requirements, upon giving not less than 30 nor more than 60 days’ prior notice of redemption to the trustee and the holders (which notice shall be irrevocable) at the principal amount of the notes of such series together with interest accrued to but excluding the date fixed for redemption and any additional amounts thereon, if the Company has been or will be obliged to pay such additional amounts as a result of (a) any change in, or amendment to, the laws or regulations of Japan or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of the issuance of the notes or (b) after the completion of any Succession Event whereby the succeeding entity is organized under the laws of or tax resident in a jurisdiction other than Japan, any change in, or amendment to, the laws or regulations of the jurisdiction of tax residence of the succeeding entity or any political subdivision or any authority thereof or therein having power to tax, or any change in application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date of such Succession Event, and in either case such obligation cannot be avoided through the taking of reasonable measures available to the Company or the succeeding entity, as the case may be (each, an “Additional Amounts Event”).

Prior to the publication of any notice of such redemption, the Company shall deliver to the trustee (i) written notice of redemption, (ii) a certificate signed by an authorized officer stating that the conditions

precedent to the Company's right to so redeem have been fulfilled and (iii) an opinion of independent legal advisors of recognized standing confirming that an Additional Amounts Event has occurred. The trustee shall accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the holders.

No notice of redemption for an Additional Amounts Event shall be given sooner than 90 days prior to the earliest date on which the Company would actually be obliged to pay such additional amounts on payment with respect to the notes.

Negative Pledge

So long as any of the notes of either series remain outstanding, the Company will not create or permit to subsist any Lien (as defined below) on any of the Company's property, assets or revenues, present or future, to secure, for the benefit of the holders of Public External Indebtedness (as defined below), payment of any sum owing in respect of any such Public External Indebtedness, any payment under any guarantee of any such Public External Indebtedness or any payment under any indemnity or other like obligation relating to any such Public External Indebtedness, unless contemporaneously therewith effective provision is made to secure the outstanding notes equally and ratably with such Public External Indebtedness with a similar Lien on the same property, assets or revenues securing such Public External Indebtedness for so long as such Public External Indebtedness are secured by such Lien. Notwithstanding the foregoing, this restriction will not apply to Liens on money paid to or money or securities deposited by the Company with a fiscal agent, trustee or depository to pay, defease or discharge in full over time the Company's obligations in respect of other Public External Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full).

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such property or asset and any other right of or arrangement with any creditor to have its claims satisfied out of any property or assets, or the proceeds therefrom, prior to any general creditor of the owner thereof.

"Public External Indebtedness" means bonds, debentures, notes or other similar investment securities of the Company or any other person evidencing indebtedness for borrowed moneys, or any guarantees thereof, which (a) are either (i) by their terms payable, or confer a right to receive payment, in any currency other than Japanese yen or (ii) denominated in Japanese yen and more than 50% of the aggregate principal amount thereof is initially distributed outside of Japan by or with the authorization of the relevant issuer thereof; and (b) are, are capable of being or are intended to be, quoted, listed, ordinarily dealt in or traded on a stock exchange or over-the-counter or other securities market outside Japan.

Events of Default and Remedies

Holders of the notes of a series will have certain rights if an event of default occurs. References to an event of default mean any of the following:

- (i) the Company defaults for more than 7 days in the payment of interest in respect of the notes of such series;
- (ii) the Company fails to pay principal of or premium, if any, on the notes of such series when that principal or premium, if any, is due and payable;
- (iii) the Company defaults in the performance or observance of any covenant, condition or provision contained in the notes of such series or in the Indenture for a period of 30 days after written notification requesting that the Company remedy such default shall first have been given to the Company (and to the trustee in the case of notice by the holders referred to below) by the trustee or holders of at least 25% in principal amount of the then outstanding notes of such series;
- (iv) the Company or any Principal Subsidiary (defined below) becomes bound as a consequence of acceleration due to a default in respect of any indebtedness for borrowed moneys having a total principal amount then outstanding of at least \$10,000,000 (or its equivalent in any other currency or currencies) contracted or incurred to repay the same prior to its stated maturity, or the Company or any Principal Subsidiary has defaulted in the repayment of any such

indebtedness contracted or incurred at the later of the maturity thereof or the expiration of any applicable grace period therefor, or the Company or any Principal Subsidiary has failed to pay when properly called upon to do so, and after the expiration of any applicable grace period, any guarantee contracted or incurred by the Company or any Principal Subsidiary of any such indebtedness in accordance with the terms of any such guarantee; provided, however, that if any such default is cured under such indebtedness, or is waived by the holders of such indebtedness, in each case as may be permitted under the terms of such indebtedness, then such event of default shall be deemed to have been thereupon cured or waived;

- (v) A final and non-appealable order of a court of competent jurisdiction is made or an effective resolution is passed for the winding up or dissolution of the Company or any Principal Subsidiary, except for the purposes of or pursuant to a consolidation, amalgamation, merger or reconstruction under which the continuing corporation or the corporation formed as a result thereof effectively assumes the Company's entire obligations under the Indenture in relation to the notes;
- (vi) An encumbrancer shall have taken possession, or a trustee or receiver shall have been appointed, in bankruptcy, civil rehabilitation, reorganization or insolvency of the Company or any Principal Subsidiary, of all or substantially all of the Company's assets and undertakings, as the case may be, and such possession or appointment shall have continued undischarged and unstayed for a period of 60 days;
- (vii) the Company stops payment (within the meaning of the bankruptcy laws of Japan) or (otherwise than for the purposes of such a consolidation, amalgamation, merger or reconstruction) ceases to carry on business or is unable to pay debts generally as and when they fall due;
- (viii) a decree or order by any court having jurisdiction shall have been issued adjudging the Company bankrupt or insolvent, or approving a petition seeking with respect to the Company reorganization or liquidation under bankruptcy, civil rehabilitation, reorganization or insolvency laws of Japan, and such decree or order shall have continued undischarged and unstayed for a period of 60 days; or
- (ix) the Company initiates or consents to proceedings relating to it under bankruptcy, civil rehabilitation, reorganization or insolvency laws of Japan or shall make a conveyance or assignment for the benefit of, or shall enter into any composition with, creditors generally.

If an event of default occurs due to specified events of bankruptcy, insolvency or reorganization, the principal of and interest accrued on the notes shall be due and payable immediately. If any other event of default occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding notes of such series, by notice in writing to the trustee, may, and the trustee upon receiving instructions in writing from the holders of not less than 25% in aggregate principal amounts of the outstanding notes of such series shall (subject to receiving security and/or indemnity to its reasonable satisfaction), declare the principal of and accrued interest on the notes to be due and payable immediately.

"Principal Subsidiary" means, under the Indenture, any subsidiary (i) whose net sales, as shown by the latest audited or reviewed financial statements of such subsidiary, constitute at least 10% of the consolidated net sales of the Company and its consolidated subsidiaries as shown by the Company's latest audited or reviewed consolidated financial statements or (ii) whose total assets, as shown by the latest audited or reviewed financial statements of such subsidiary, constitute at least 10% of the total assets of the Company and its consolidated subsidiaries as shown by the Company's latest audited or reviewed consolidated financial statements.

Limitation on Suits

Other than the right to institute a suit for the enforcement of the payment of principal of, or premium, if any, or interest on, any notes of a series after the applicable due date specified in the notes of such series, no holder of any note of such series has any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture, unless: (i) such holder has previously given written notice to the trustee of a continuing event of default; (ii) the holders of not less than 25% in aggregate principal amount of the notes of such series shall have made written request to the trustee to institute proceedings in respect of such event of default in its own name as trustee; (iii) such holder or holders

have offered to the trustee indemnity and/or security reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; (iv) the trustee for 60 days after its receipt of such notice, request and offer of indemnity and/or security has failed to institute any such proceeding; and (v) no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in aggregate principal amount of the notes of such series.

However, the right of any holder to institute suit for the enforcement of any such payment of overdue principle, premium, if any, or interest on or after the respective due dates shall not be affected or impaired.

No holder shall have any right by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other holder, or to obtain or seek to obtain priority or preference over any other holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such holders.

Further Issuances

The Company reserves the right, from time to time, without the consent of the holders of the notes of a series, to issue additional notes on terms and conditions identical to those of the notes of such series (other than the issue date, the issue price and, in some cases, the first interest payment date), which additional notes shall increase the aggregate principal amount of, and shall be consolidated and form a single series with, the notes of such series; provided that if such additional notes are not fungible with the outstanding notes of such series for U.S. federal income tax purposes, such additional notes will be assigned a CUSIP, ISIN and Common Code different from those assigned to any series of outstanding notes.

Indemnification of Judgment Currency

The Company will indemnify each holder of a note to the fullest extent permitted by applicable law against any loss incurred by the holder as a result of any judgment or order being given or made for any amount due under the note and the judgment or order being expressed and paid in a currency, referred to as judgment currency, other than U.S. dollars and as a result of any variation as between (a) the rate of exchange at which the U.S. dollar is converted into the judgment currency for the purpose of the judgment or order and (b) the spot rate of exchange in The City of New York at which the holder on the date that payment is made pursuant to the judgment or order is able to purchase U.S. dollars with the amount of the judgment currency actually received by the holder. The Company's obligations under the Indenture to make payments in U.S. dollars (i) shall not be discharged or satisfied by any tender, or any recovery pursuant to any judgment, in any currency other than U.S. dollars, except to the extent such tender or recovery shall result in the actual receipt, by the payee, of the full amount in U.S. dollars expressed to be payable in respect of such payments, (ii) shall be enforceable as an alternative or additional cause of action for the purpose of recovering in U.S. dollars the amount, if any, by which such actual receipt shall fall short of the full amount in U.S. dollars so expressed to be payable and (iii) shall not be affected by judgment being obtained for any other sum due under the Indenture.

Modification and Waiver

Modification and amendment of the notes of a series and the Indenture may be made by the Company and the trustee with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding notes of such series; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding note of such series affected thereby:

- (i) change the maturity date of the principal or payment date of any interest or change any obligation of the Company to pay any additional amounts,
- (ii) reduce the principal amount of, or rate of interest on, any note of such series,
- (iii) affect the rights of holders of less than all the outstanding notes of such series,
- (iv) change the place of payment where, or the coin or currency in which, any note of such series or interest thereon is payable, or
- (v) impair the right of a holder to institute suit for the enforcement of any payment on or with respect to any note of such series on or after the date when due;

provided, further, that no such modification may, without the consent of the holders of all notes of such series outstanding at the time, alter the respective percentages of outstanding notes of such series necessary, pursuant to

the Indenture, to modify the terms of the notes of such series, waive past defaults or accelerate the payment of the principal amount of the notes of such series.

It shall not be necessary for any act of holders under the relevant section of the Indenture to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof.

Notwithstanding the foregoing, without the consent of any holders of the notes of a particular series, the Company and the trustee, at any time and from time to time, may enter into one or more indentures supplemental to the Indenture, in form reasonably satisfactory to the trustee, for any of the following purposes:

- (i) to secure the notes of such series,
- (ii) to evidence the succession of another corporation, entity or person to the Company and the assumption by any such successor of the Company's covenants in the Indenture and the notes of such series,
- (iii) to add to the Company's covenants or to surrender any right or power in the Indenture conferred upon the Company for the benefit of the holders of the notes of such series,
- (iv) to evidence and provide for the acceptance of appointment under the Indenture by a successor trustee,
- (v) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be defective or inconsistent with any other provision in the Indenture or applicable laws, or to make any other provisions with respect to matters or questions arising under the Indenture, provided that such action shall not adversely affect the interests of the holders of the notes of such series in any material respect, or
- (vi) to make any other change that does not adversely affect the interests of the holders of the notes of such series in any material respect.

Discharge, Defeasance and Covenant Defeasance

The Company may discharge certain obligations to holders of the notes of a particular series that have not already been delivered to the trustee for cancellation and that either have become due and payable or will become due and payable within one year (or scheduled for redemption within one year) by depositing with the trustee, in trust, funds in U.S. dollars in an amount sufficient, in the opinion of an internationally recognized firm of independent accountants, to pay the entire indebtedness with respect to the notes of such series including, but not limited to, the principal and premium, if any, and interest to the date of such deposit (if the notes of such series have become due and payable) or to the maturity thereof or the redemption date of the notes of such series.

The Indenture provides that the Company may elect either (1) to defease and be discharged from any and all obligations with respect to the notes of a particular series (except for, among other things, obligations to register the transfer or exchange of the notes, to replace temporary or mutilated, destroyed, lost or stolen notes, to maintain an office or agency with respect to the notes and to hold moneys for payment in trust) ("legal defeasance") or (2) to be released from the Company's obligations to comply with the restrictive covenants, and any omission to comply with such obligations will not constitute a default or an event of default with respect to the notes of such series and clause (iii) under "—Events of Default and Remedies" will no longer be applied ("covenant defeasance"). Legal defeasance or covenant defeasance, as the case may be, will be conditioned upon, among other things, the irrevocable deposit by the Company with the trustee, in trust, of an amount in U.S. dollars, or U.S. Government Obligations, or both, applicable to the notes of such series which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient, in the opinion of an internationally recognized firm of independent accountants, to pay the principal of and premium, if any, and interest on the notes of such series on the scheduled due dates therefor.

If the Company elects legal defeasance or covenant defeasance, it will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance will not cause the holders and beneficial owners of the notes of the relevant series to recognize income, gain or loss for U.S. federal income tax purposes. In the case of legal defeasance, that opinion of counsel must be based upon a ruling from the U.S. Internal Revenue Service or a change in law occurring after the date of the issuance of the notes to that effect.

The Company may exercise its legal defeasance option notwithstanding the prior exercise of its covenant defeasance option.

“U.S. Government Obligation” means (x) any security which is (i) a direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged or (ii) an obligation of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case (i) or (ii), is not callable or redeemable at the option of the issuer thereof, and (y) any depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any U.S. Government Obligation which is specified in clause (x) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any U.S. Government Obligation which is so specified and held; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of principal or interest evidenced by such depositary receipt.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any branch, agency or political subdivision thereof.

Paying and Transfer Agent and Notes Registrar

MUFG Union Bank, N.A., located at 1251 Avenue of the Americas, 19th Floor, New York, NY 10020, United States of America, will initially act as paying agent, transfer agent and notes registrar for the notes. The Company may change the paying agent, transfer agent or notes registrar without prior notice to the holders of the notes, and the Company or any of its subsidiaries may act as paying agent, transfer agent or notes registrar.

Paying Agent in Singapore

For so long as the notes of a series are listed on the SGX-ST and the rules of the SGX-ST so require, the Company will appoint and maintain a paying agent in Singapore where the notes of such series may be presented or surrendered for payment or redemption, in the event that a global security for such series is exchanged for definitive notes. In addition, in such event, an announcement of the exchange of a global security for definitive notes will be made by the Company or on its behalf through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive notes, including details of the paying agent in Singapore.

The Trustee

The trustee, MUFG Union Bank, N.A., is organized under the laws of the United States of America, with offices located in New York. The Indenture provides that during the existence of an event of default with respect to the notes, the trustee will exercise the rights and powers vested in it by the Indenture, and use the same degree of care and skill in the exercise thereof as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. In the absence of an event of default with respect to the notes, the trustee need only perform the duties specifically set forth in the Indenture.

The Indenture does not contain limitations on the rights of the trustee under the Indenture, should it be or become a creditor of the Company, to obtain payment of claims. The trustee is not precluded from engaging in other transactions; provided, however, that if it has or acquires any conflicting interest, as defined in Section 310(b) of the Trust Indenture Act, it must eliminate such conflict within 90 days or resign.

The trustee will be under no obligation to exercise any rights or powers vested in it by the Indenture at the request or direction of any holder, unless such holders have offered to the trustee security and/or indemnity reasonably satisfactory to it against the costs, expenses (including the properly incurred fees and expenses of its counsel) and liabilities which might be incurred by it in compliance with such request or direction.

Successor Trustee

Any successor trustee appointed pursuant to the terms of the Indenture shall have a combined capital and surplus of not less than \$50,000,000 and shall be a bank or trust company organized and doing business under the laws of the United States of America or of the State of New York, in good standing and having an office in the Borough of Manhattan, The City of New York.

Repayment of Funds

Any money deposited by the Company with the trustee or a paying agent in trust for payment of principal of or premium, if any, or interest on any note which remains unclaimed for two years after such payment has become due and payable and paid to the trustee shall, upon the Company's written request, be repaid to the Company and all liability of the trustee or such paying agent with respect to such payment will cease, and to the extent permitted by applicable law, the holder of that note shall thereafter look only to the Company for payment thereof.

Reporting Requirements

For as long as any notes are outstanding, the Company will promptly furnish to the trustee (for the benefit of the holders of the notes):

- (i) (x) within three months after the end of each fiscal year, the Company's consolidated statements of financial position, profit or loss, comprehensive income, changes in equity and cash flows in English prepared in accordance with IFRS and (y) within six months after the end of each fiscal year, an annual report in English, including the Company's consolidated statements of financial position, profit or loss, comprehensive income, changes in equity and cash flows prepared in accordance with IFRS and audited by independent auditors; and
- (ii) as soon as practicable after the end of each interim period (other than the last interim period of a fiscal year), the Company's interim consolidated statements of financial position, profit or loss, comprehensive income, changes in equity and cash flows in English prepared in accordance with IFRS, provided that interim consolidated statements of cash flows will not be required if disclosure of interim consolidated statements of cash flows is not required for such corresponding interim period for companies listed on the main board of the Tokyo Stock Exchange pursuant to the listing rules or other regulations generally applicable to such companies.

To the extent any reports or other documents are published by the Company on its website or any other publicly available electronic medium, such reports or other documents shall be deemed to have been furnished to the trustee and the holders of the notes.

Governing Law; Consent to Jurisdiction and Service of Process; Communications

The Indenture and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Company has irrevocably submitted to the non-exclusive jurisdiction of the courts of any New York State or United States federal court sitting in the Borough of Manhattan, The City of New York with respect to any action that may be brought in connection with the Indenture or the notes. As long as any of the notes remain outstanding, the Company will at all times have an authorized agent with an office in the Borough of Manhattan, The City of New York upon whom process may be served in any action arising out of or relating to the Indenture or the notes. The Company has appointed Cogency Global Inc. as its initial agent for such purpose.

Minimum Board Lot Size on the SGX-ST

The notes of each series will be traded on the SGX-ST in a minimum board lot size of \$200,000 for so long as the notes of such series are listed on the SGX-ST and the rules of the SGX-ST so require.

Book Entry, Delivery and Form

The notes will initially be issued to investors only in book-entry form. Notes sold in reliance on Regulation S under the Securities Act will be initially in the form of one or more fully-registered global notes (each, a "Regulation S global note"), and notes sold in reliance on Rule 144A under the Securities Act will initially be in the form of one or more fully-registered global notes (each, a "Rule 144A global note"). The global notes will be issued and registered in the name of Cede & Co., acting as nominee for DTC, which will act as securities depository for the notes. The global notes will initially be deposited with the trustee, acting as custodian for DTC.

The notes (including beneficial interests in the global notes) will be subject to certain restrictions on transfer set forth in the notes and the Indenture and will bear a legend regarding the restrictions as set forth under

“Transfer Restrictions.” Under certain circumstances, transfers may be made only upon receipt by the trustee of a written certification.

Prior to the 40th day after the later of the commencement of the offering and the closing date, a beneficial interest in a Regulation S global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a QIB purchasing for its own account (or for the account of one or more QIBs over which account it exercises sole investment discretion) and (ii) has notified the transferee of the restrictions on transfer set forth under “Transfer Restrictions.”

Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A global note without any written certification from the transferor or the transferee. Beneficial interests in a Rule 144A global note may be transferred to a person who takes delivery in the form of an interest in a Regulation S global note only upon receipt by the trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions on transfer set forth under “Transfer Restrictions” and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the Securities Act.

Any beneficial interest in one of the global notes that is transferred to an entity that takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in such global note and become an interest in the other global note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interest in such other global note for as long as it remains such an interest.

Persons that acquire beneficial ownership interests in the global notes will hold their interests through DTC in the United States or through Euroclear or Clearstream in Europe, if they are participants of those systems, or indirectly through organizations that are participants in those systems. Euroclear and Clearstream will hold omnibus positions on behalf of their participants through customers’ securities accounts in Euroclear’s and Clearstream’s names on the books of their respective depositories, which in turn will hold those positions in customers’ securities accounts in the depositories’ names on the books of DTC. Unless and until definitive notes are issued, the only holder of the notes will be Cede & Co., as nominee of DTC, or the nominee of a successor depository. Beneficial owners will be permitted to exercise their rights only indirectly through DTC, Euroclear, Clearstream and their participants.

DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants deposit with it. DTC also facilitates the settlement among its participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in its participants’ accounts, eliminating the need for physical movement of securities certificates. Participants in DTC include Euroclear and Clearstream, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers. Access to the DTC system is also available to others, such as securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Euroclear was created in 1968 to hold securities for its participants and to clear and settle transactions among its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear provides various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear system is operated by Euroclear Bank SA/NV, a bank incorporated under the laws of the Kingdom of Belgium as the “Euroclear operator.” All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system and applicable Belgian law. The Euroclear terms and conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under the Euroclear terms and conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Clearstream is incorporated under the laws of Luxembourg as a professional depositary. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants, eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depositary, Clearstream is subject to regulation by the Luxembourg Monetary Institute. Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the initial purchasers or their affiliates. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Purchases of notes within the DTC system must be made by or through the DTC participants, which will receive a credit for the notes on DTC's records and on the records of Euroclear or Clearstream, if applicable. The ownership interest of each actual purchaser of notes, a beneficial owner of an interest in a global note, is in turn to be recorded on the DTC participants' and indirect participants' records.

Beneficial owners of interests in a global note will not receive written confirmation from DTC, Euroclear or Clearstream of their purchases, but they are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which they purchased the notes. Transfers of ownership interests in the notes are to be accomplished by entries made on the books of the DTC participants and indirect participants acting on behalf of beneficial owners of interests in a global note. Beneficial owners of interests in a global note will not receive certificates representing their ownership interests in the notes unless use of the book-entry system for the notes is discontinued.

Transfers among DTC, Euroclear and Clearstream

Transfers between DTC participants will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions applicable to the notes, cross-market transfers between persons holding, directly or indirectly through DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant European depositary; however, those crossmarket transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its custodian to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Euroclear and Clearstream participants may not deliver instructions directly to the European depositaries.

Because of time zone differences, credits of securities received in Euroclear or Clearstream as a result of a transaction with a person that does not hold the notes through Euroclear or Clearstream will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Those credits or any transactions in those securities settled during that processing will be reported to the relevant Euroclear or Clearstream participants on that business day. Cash received in Euroclear or Clearstream as a result of sales of securities by or through a Euroclear participant or a Clearstream participant to a DTC participant will be received with value on the DTC settlement date, but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

Limitations on Responsibilities

DTC, Euroclear and Clearstream have no knowledge of the actual beneficial owners of interests in a global note. DTC's records reflect only the identity of the DTC participants to whose accounts those notes are credited, which may or may not be the beneficial owners of interests in a global note. Similarly, the records of Euroclear and Clearstream reflect only the identity of the Euroclear or Clearstream participants to whose accounts those notes are credited, which also may or may not be the beneficial owners of interests in a global note. DTC, Euroclear and Clearstream participants and indirect participants will remain responsible for keeping account of their holdings on behalf of their customers.

The trustee shall have no responsibility for the actions or inactions of DTC, Euroclear and Clearstream.

DTC's Procedures for Notices, Voting and Payments

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or that nominee, as the case may be, will be considered the sole owner or holder of the notes represented by the global note for all purposes under the notes and the Indenture. No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture.

DTC has advised the Company that it will take any action permitted to be taken by a holder of notes, including the presentation of notes for exchange as described below, only at the direction of one or more of its participants to whose account DTC's interests in the global notes are credited and only in respect of that portion of the aggregate principal amount of notes as to which that participant or participants has or have given the direction.

Conveyance of notices and other communications by DTC to its participants, by those participants to its indirect participants, and by participants and indirect participants to beneficial owners of interests in a global note will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The trustee will make payments of principal of, and premium, if any, and interest on, the notes and send any notices in respect of the notes held in book-entry form to Cede & Co.

Payment of principal of, and premium, if any, and interest on, the notes held in book-entry form will be made to Cede & Co. or another nominee of DTC in immediately available funds. DTC's practice is to credit its participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on that payment date. Payments by DTC's participants and indirect participants to beneficial owners of interests in a global note will be governed by standing instructions and customary practices, and will be the responsibility of those participants and indirect participants and not of DTC or the Company, subject to any statutory or regulatory requirements that may be in effect from time to time. Payment of principal of, and premium, if any, and interest on, the notes or other amounts to DTC is the Company's responsibility, disbursement of these payments to participants is the responsibility of DTC, and disbursement of those payments to the beneficial owner of an interest in a global note is the responsibility of participants and indirect participants.

Except as described in this offering circular, a beneficial owner of an interest in a global note will not be entitled to receive physical delivery of notes. Accordingly, each beneficial owner of an interest in a global note must rely on the procedures of DTC to exercise any rights under the notes.

The laws of some states require that certain persons take physical delivery of certificates evidencing securities they own. Consequently, the ability to transfer beneficial interests in a global note to such persons will be limited to that extent. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants, the ability of beneficial owners of interests in a global note to pledge such interests to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the global notes among participants, none of them is under any obligation to perform or continue to perform those procedures, and those procedures may be discontinued at any time. The Company will not have any responsibility for the performance by DTC, Euroclear, Clearstream or their participants or indirect participants under the rules and procedures governing them. DTC, Euroclear and Clearstream may discontinue

providing their services as securities depository with respect to the notes at any time by giving notice to the Company. Under those circumstances, definitive notes would be delivered as described below.

The information in this section concerning DTC, Euroclear and Clearstream and DTC's book-entry system has been obtained from sources that we believe to be reliable, but the Company takes no responsibility for the accuracy thereof.

Exchange of Global Notes for Definitive Notes

No definitive notes will be issued in exchange for the global notes unless (i) DTC is at any time unwilling or unable to continue as a depository for the global notes or has ceased to be qualified to act as such as required by the Indenture and a successor depository is not appointed by the Company within 90 days or (ii) there shall have occurred and be continuing an event of default with respect to the notes. Definitive notes delivered in exchange for beneficial interests in any global note will be registered in such names, and issued in such approved denominations, as directed by DTC or the successor depository, in accordance with its customary procedures, and will be issued without coupons.

The principal amount of the notes in definitive form will be payable by check, drawn on a bank in The City of New York, upon presentation and surrender of the notes at the Company's offices or at the principal office of the trustee in The City of New York or at such other place or places in the Borough of Manhattan, The City of New York as the trustee shall designate by notice to the holders of the notes. Interest on the notes will be payable by check, drawn on a bank in The City of New York, mailed to the persons in whose names the notes, or one or more predecessor notes, are registered on each interest payment record date. Notwithstanding the foregoing, the person in whose name a note is registered may elect to receive payments of principal or interest by wire transfer in immediately available funds to a bank account in The City of New York designated by such person in a written notice received by the trustee no later than 15 calendar days prior to relevant date for payment, provided that in the case of a payment of principal, the note shall have been surrendered to the trustee for payment together with such notice. Unless such designation is revoked, any such designation made by such holder with respect to such notes shall remain in effect with respect to any future payments with respect to such notes payable to such holder.

Registration, Transfer and Exchange of Notes

The trustee shall maintain at its corporate trust office a notes register with respect to the notes. The name of the registered holder of each note will be recorded in the note register. The Company, the trustee, the notes registrar and the paying and transfer agent may treat the person in whose name any note is registered as the absolute owner of the note for all purposes and none of them shall be affected by any notice to the contrary.

At the option of the holder of a note, subject to the restrictions contained in the notes and in the Indenture, the note may be transferred or exchanged for a like aggregate principal amount of notes of different authorized denominations, upon surrender for exchange or registration of transfer, at the corporate trust office. Any note surrendered for exchange or presented for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer or other documentation in a form identified in the Indenture. Notes issued upon exchange or transfer shall be registered in the name of the holder requesting the exchange or, as the case may be, the designated transferee or transferees and delivered at the trustee's office, or mailed, at the request, risk and expense of, and to the address requested by, the designated transferee or transferees. No service charge, other than any cost of delivery not made by regular mail, shall be imposed for any transfer or exchange of notes, but the Company or the trustee may require payment of a sum sufficient to cover any stamp duty, tax or governmental charge or insurance charge that may be imposed in connection with any transfer or exchange of notes.

TAXATION

The following summaries are not intended to be a complete analysis of the tax consequences under Japanese or United States law as a result of the acquisition, ownership and sale of notes by investors. Potential investors should consult their own tax advisers on the tax consequences of acquisition, ownership, sale, and other relevant circumstances concerning the notes, including specifically the applicable tax consequences under Japanese or United States law, the law of the jurisdiction of their country of residence (if different) and any tax treaty between Japan and their country of residence.

Japanese Taxation

The following is a general description of certain aspects of Japanese tax treatment primarily in relation to payments of principal of and interest on the notes. It does not purport to be a comprehensive description of the tax treatment of the notes. Prospective investors should note that, although the general tax information on Japanese taxation is described hereunder for convenience, the statements below are general in nature and not exhaustive.

Prospective investors are advised to consult their own legal, tax, accountancy or other professional advisers in order to ascertain their particular circumstances regarding taxation. The statements below are based on the current tax laws and regulations of Japan and the current income tax treaties entered into by Japan, all as in effect on the date of this offering circular and all of which are subject to change or differing interpretations (possibly with retroactive effect). Neither such statements nor any other statement in this offering circular are to be regarded as advice on the tax position of any holder or beneficial owner of the notes or any person subscribing for, purchasing, selling or otherwise dealing in the notes or any tax implication arising from the subscription for or purchase, sale or other dealings in respect of the notes.

The Notes

The notes do not fall under the concept of so called “taxable linked notes” as described in Article 6, Paragraph (4) of the Special Taxation Measures Act, being notes of which the amount of interest is to be calculated or determined by reference to certain indicators (as prescribed in the Cabinet Order) in respect of the issuer of such notes or any other person who has a special relationship with such issuer (that is, in general terms, a person who directly or indirectly controls or is directly or indirectly controlled by, or is directly or indirectly controlled by a person who also directly or indirectly controls, such issuer) as described in Article 6, Paragraph (4) of the Special Taxation Measures Act and Article 3-2-2, Paragraphs (5) to (7) of the Cabinet Order.

Interest Payments on the Notes

The following description of Japanese taxation (limited to national taxes) applies exclusively to interest on the notes, where the notes are issued by us outside Japan and payable outside Japan. It is not intended to be exhaustive and prospective purchasers are recommended to consult their tax advisers as to their exact tax position.

(1) Non-Resident Holders that are not Specially-Related Persons

If the recipient of interest on the notes is a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual non-resident of Japan or a non-Japanese corporation, or a non-resident holder, as described below, the Japanese tax consequences on such non-resident holder are significantly different depending upon whether such non-resident holder is a specially-related person. Most importantly, if such non-resident holder is a specially-related person, income tax at the rate of 15.315% of the amount of such interest will be withheld by us under Japanese tax law.

(a) If the recipient of interest on the notes is a non-resident holder that is not a specially-related person having no permanent establishment within Japan or having a permanent establishment within Japan but where the receipt of the interest on the notes is not attributable to such permanent establishment, no Japanese income tax or corporate tax is payable with respect to such interest whether by way of withholding, deduction or otherwise, if such recipient complies with certain requirements, inter alia:

(i) if the relevant notes are held through certain participants in an international clearing organization such as DTC, Euroclear and Clearstream or certain financial intermediaries

prescribed by the Special Taxation Measures Act and the Cabinet Order (together with the ministerial ordinance and other regulations thereunder), or the Law in this Japanese taxation section, the requirement to provide, at the time of entrusting a “participant” within the meaning of each such participant or financial intermediary with the custody of the relevant notes, certain information, or the interest recipient information, prescribed by the Law to enable the participant to establish that the recipient is exempt from the requirement for Japanese tax to be withheld or deducted and to advise the participant if such non-resident holder ceases to be so exempted (including the case where it became a specially-related person); and

- (ii) if the relevant notes are not held through a participant, the requirement to submit to the relevant paying agent a written application for tax exemption (*hikazei tekiyo shinkokusho*), or the written application for tax exemption, together with certain documentary evidence.

Failure to comply with the foregoing requirements (including the case where the interest recipient information is not duly communicated through a participant or to the relevant paying agent as required under the Law) will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest.

- (b) If the recipient of interest on the notes is a non-resident holder having a permanent establishment within Japan and the receipt of interest is attributable to such permanent establishment, such interest will not be subject to a 15.315% withholding tax by us, if the recipient provides the interest recipient information or submits the written application for tax exemption as set out in paragraph (1) above. Failure to do so will result in the withholding by us of income tax at the rate of 15.315% of the amount of such interest. The amount of such interest will be aggregated with the recipient’s other Japanese source income and will be subject to regular income tax or corporate tax, as appropriate.

(2) Resident Holders, and Non-Resident Holders that are Specially-Related Persons

Payments of interest on the notes to be made to a holder or beneficial owner of the notes that is, for Japanese tax purposes, an individual resident of Japan or a Japanese corporation, or a resident holder, (except for (a) a designated financial institution which has complied with the requirements under Article 6 of the Special Taxation Measures Act and (b) a public corporation, a financial institution, a financial instruments business operator or certain other entity which has complied with the requirement for tax exemption under Article 3-3, Paragraph (6) of the Special Taxation Measures Act which has received interest through a payment handling agent in Japan as defined in Article 3-3, Paragraph (1) of the Special Taxation Measures Act and Article 2-2, Paragraph (2) of the Cabinet Order) or to a non-resident holder that is a specially-related person will be subject to deduction in respect of Japanese income tax at the rate of 15.315%.

For an individual resident of Japan and an individual non-resident of Japan that is a specially-related person having a permanent establishment in Japan, interest on the notes in general constitutes taxable income, together with other interest, dividends and capital gains arising from certain specified notes and listed shares, and is subject to income taxation by reporting at the rate of 15.315%. Such interest income may be offset against capital losses arising from sale of certain specified notes or listed shares by filing a tax return. The withholding tax referred to above will in general be credited against their income tax liability reportable by their tax return. Alternatively, they may elect to finalize their income tax liability only by the withholding tax referred to above without filing a tax return.

For an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially related person having no permanent establishment in Japan, the Japanese taxation is finalized only by the withholding tax referred to above.

Under the Law, if a non-resident holder becomes a specially-related person, and if such notes are held through a participant, then such non-resident holder is required to notify the participant of such change in status by the immediately following interest payment date of the notes. As the status of such non-resident holder as a specially-related person for Japanese withholding tax purposes is determined based on the status as at the beginning of the fiscal year of us in which the relevant interest payment date falls, such non-resident holder should, by such notification, identify and

advise the participant of the specific interest payment date on which Japanese withholding tax commences to apply with respect to such non-resident holder as being a specially-related person.

The Japanese withholding tax imposed upon interest on the notes paid to a non-resident holder that is a specially-related person as mentioned above may be reduced or exempted by an income tax treaty between Japan and the country of residence of such non-resident holder in accordance with its terms.

Capital Gains, Stamp Tax and Other Similar Taxes, Inheritance Tax and Gift Tax

Gains derived from the sale or disposition of notes outside Japan by a non-resident holder having no permanent establishment within Japan are, in general, not subject to Japanese income tax or corporate tax.

No stamp, issue, registration or similar taxes or duties are payable in Japan by holders of the notes in connection with the issue of the notes, nor are such taxes payable by holders of the notes in connection with their transfer if such transfer takes place outside Japan.

Japanese inheritance tax or gift tax at progressive rates may be payable by an individual, wherever resident, who has acquired the notes from another individual as legatee, heir or donee.

United States Federal Income Taxation

The following is a summary of United States federal income tax considerations generally applicable to the ownership and disposition of notes by a “U.S. holder” (as defined below) who acquires our notes upon original issuance at their initial offering price and who holds the notes as “capital assets” (generally, property held for investment) for United States federal income tax purposes, but it does not purport to be a complete analysis of all potential tax consequences and considerations. This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation which may be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., banks or other financial institutions, insurance companies, broker-dealers, partnerships and their partners, tax-exempt organizations (including private foundations), investors who are not U.S. holders, traders in securities that have elected the mark-to-market method of accounting, investors subject to the alternative minimum tax, real estate investment trusts, regulated investment companies, pension plans, cooperatives, investors who hold notes as part of a straddle or other integrated transaction, or investors whose functional currency is not the United States dollar), all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, non-United States, or non-income tax (such as United States federal gift and estate tax) considerations or the Medicare contribution tax. You are urged to consult your tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our notes.

For purposes of this summary, a “U.S. holder” is a beneficial owner of our notes that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created in, or organized under the laws of, the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has an election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership or other entity treated as a partnership is a beneficial owner of the notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding the notes, you are urged to consult your tax advisers regarding the United States federal income tax considerations of an investment in the notes.

Payments of Interest

Interest on the notes will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes. In addition to interest on the notes, you will be required to include in income any Japanese or other foreign taxes withheld from the interest payments you receive and any additional amounts paid in respect of such foreign taxes withheld.

With respect to any Japanese taxes withheld in respect of any payments on the notes (as discussed in “Taxation—Japanese Taxation”), you may be entitled to claim either a deduction or a foreign tax credit for United States federal income tax purposes, subject to certain limitations (including that the election to deduct non-U.S. taxes in lieu of claiming foreign tax credits must apply to all of your non-U.S. taxes for a particular tax year). Interest income (including any additional amounts) on a note generally will be considered foreign source income and, for purposes of the foreign tax credit, generally will be considered “passive income” or, in certain cases, “general category income.”

Sale, Exchange or Other Disposition of the Notes

Upon the sale, exchange or other taxable disposition of a note, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as ordinary interest income, as described in “—Payments of Interest” above, to the extent not previously included in income) and your tax basis in the note. Your tax basis in a note will generally be the cost of such note. Gain or loss on the sale, exchange or other taxable disposition will be capital gain or loss and will be long-term capital gain or loss if the note was held for more than one year. Certain non-corporate U.S. holders (including individuals) may qualify for preferential rates of United States federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations.

Foreign Asset Reporting

Certain U.S. holders are required to report information relating to an interest in a note, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). You should consult your tax advisor regarding the effect, if any, of these rules on your ownership and disposition of the notes.

The preceding discussion of certain U.S. federal income tax considerations is general information only and is not tax advice. Accordingly, each U.S. holder should consult its own tax advisor as to the particular tax and reporting considerations pertinent to it of holding or disposing of the notes, including the applicability and effect of any U.S. federal, state, local or non-U.S. tax laws, and of any changes or proposed changes in applicable law.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the notes (including any interest in a note) by employee benefit plans that are subject to Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the U.S. Internal Revenue Code (the “Code”), or provisions under any other federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA (“Similar Laws”), and entities whose underlying assets are considered to include “plan assets” of any such plan, account or arrangement (each, a “Plan”).

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code, (an “ERISA Plan”), and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of an ERISA Plan or the management or disposition of the assets of an ERISA Plan, or who renders investment advice for a fee or other compensation to an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary should determine, among other things, whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA and the Code with respect to ERISA Plans, and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may also be subject to penalties and other liabilities under ERISA and the Code.

Whether or not the underlying assets of the issuer were deemed to include “plan assets,” the acquisition and/or holding of the notes by an ERISA Plan with respect to which we or an initial purchaser are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions (“PTCEs”), that may apply to the acquisition and holding of the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions, provided that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and provided further that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that any such exemption will apply to an investment by an ERISA Plan, or that all of the conditions of any such exemptions or any other exemption will be satisfied.

Representation

Accordingly, by acceptance of the notes (including any interest in a note), each purchaser and subsequent transferee of the notes will be deemed to have represented and warranted that either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii) the purchase and holding of the notes by such purchaser or transferee will not constitute or result in a

non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws.

In addition, if the purchaser is an ERISA Plan then, at any time when regulation 29 C.F.R. Section 2510.3-21, as modified, is applicable, by its acceptance of such note or interest in such note, it will be deemed to (1) acknowledge and agree that (i) none of us, any initial purchaser, their agents or of their any affiliates (the “Transaction Parties”) has provided or is providing investment advice of any kind whatsoever, but in all events none of the Transaction Parties has provided or is providing impartial investment advice or is giving any advice in a fiduciary capacity in connection with the purchaser’s acquisition of the notes or any interest therein; and (ii) the Transaction Parties have financial interests in the offering and sale of the notes as described in this offering circular and related documents; and (2) represent and warrant that (i) the person making the investment decision on behalf of such purchaser with respect to the acquisition and holding of the notes (or any interest in a note) is a fiduciary (within the meaning of 29 C.F.R. Section 2510.3-21) that is independent of each of the Transaction Parties and is one of the following: (A) a bank as defined in section 202 of the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”) or similar institution that is regulated and supervised and subject to periodic examination by a U.S. State or Federal agency, (B) an insurance carrier qualified under the laws of more than one U.S. State to perform the services of managing, acquiring or disposing of assets of an ERISA Plan, (C) an investment adviser registered under the Advisers Act or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of section 203A of the Advisers Act, is registered as an investment adviser under the laws of the State (referred to in such paragraph (1)) in which it maintains its principal office and place of business, (D) a broker-dealer registered under the U.S. Securities Exchange Act of 1934, as amended, or (E) an independent fiduciary that holds, or has under management or control, total assets of at least \$50 million (each of (i)(A) through (E) above, the “qualified independent fiduciary”); (ii) the qualified independent fiduciary is capable of evaluating investment risks independently, both in general and with regard to particular transactions and strategies, including the acquisition, holding and subsequent disposition of the notes (including any interest in a note); (iii) the qualified independent fiduciary is a fiduciary under ERISA or the Code, or both, with respect to the acquisition, holding and subsequent disposition of the notes or any interest therein, and is responsible for exercising independent judgment in evaluating such transactions; and (iv) no fee or other compensation is being paid directly to any of the Transaction Parties by the purchaser or the qualified independent fiduciary for investment advice (as opposed to other services) in connection with the acquisition, holding and disposition of the notes (including any interest in a note).

The foregoing discussion is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the notes. The sale of notes (or any interest in a note) to a Plan is in no respect a representation to any purchaser or subsequent transferee by us or any of our affiliates, employees or other representatives, or the initial purchasers that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or a representation that such an investment is appropriate for Plans generally or any particular Plan. Further, nothing herein should be considered a recommendation or advice with respect to the acquisition or holding of a note (or any interest in a note) by a Plan.

TRANSFER RESTRICTIONS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any reoffering, resale, pledge or transfer of the notes.

The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act. The notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except as set forth below.

Rule 144A Notes

Each purchaser of the notes offered hereby in reliance on Rule 144A will be deemed to have represented and agreed as follows:

- (1) It (A) is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act, or a QIB, (B) is aware that the sale of the notes to it is being made in reliance on Rule 144A, and (C) is acquiring the notes for its own account or for the account of a QIB, as the case may be.
- (2) It understands that the notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred except as permitted by the legend set forth in paragraph (4) below.
- (3) Either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii) its purchase and holding of the notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws.
- (4) It understands that the notes will bear a legend to the following effect, unless TICO determines otherwise in compliance with applicable law:

“THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). THE HOLDER HEREOF AGREES FOR THE BENEFIT OF TOYOTA INDUSTRIES CORPORATION (THE “COMPANY”) THAT THIS SECURITY MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) TO THE COMPANY, (2) TO A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT (“RULE 144A”)) OR A PERSON WHO THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER IN ACCORDANCE WITH RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, PROVIDED THAT, AS A CONDITION TO THE REGISTRATION OF THE TRANSFER THEREOF, THE COMPANY OR THE TRUSTEE MAY REQUIRE THE DELIVERY OF ANY DOCUMENTS, INCLUDING AN OPINION OF COUNSEL, THAT IT, IN ITS SOLE DISCRETION, MAY DEEM NECESSARY OR APPROPRIATE TO EVIDENCE COMPLIANCE WITH SUCH EXEMPTION (IF AVAILABLE), OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND OTHER JURISDICTIONS. THE HOLDER HEREOF, BY, PURCHASING OR ACCEPTING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT WILL NOTIFY ANY PURCHASER OF THIS SECURITY FROM THE HOLDER OF THE RESALE RESTRICTIONS REFERRED TO ABOVE.

IF THE PURCHASER OF THIS SECURITY (OR ANY INTEREST HEREIN) IS A PLAN OR ARRANGEMENT SUBJECT TO AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (AN “ERISA PLAN”) THEN, AT ANY TIME WHEN REGULATION 29 C.F.R. SECTION 2510.3-21, AS MODIFIED, IS APPLICABLE, BY ITS ACCEPTANCE OF SUCH SECURITY OR INTEREST IN SUCH SECURITY, IT WILL BE DEEMED TO (1) ACKNOWLEDGE AND AGREE THAT (I) NONE OF THE COMPANY, ANY INITIAL PURCHASER, THEIR AGENTS OR OF THEIR ANY AFFILIATES (THE “TRANSACTION PARTIES”) HAS PROVIDED OR IS PROVIDING

INVESTMENT ADVICE OF ANY KIND WHATSOEVER, BUT IN ALL EVENTS NONE OF THE TRANSACTION PARTIES HAS PROVIDED OR IS PROVIDING IMPARTIAL INVESTMENT ADVICE OR IS GIVING ANY ADVICE IN A FIDUCIARY CAPACITY IN CONNECTION WITH THE PURCHASER'S ACQUISITION OF THE SECURITIES OR ANY INTEREST THEREIN; AND (II) THE TRANSACTION PARTIES HAVE FINANCIAL INTERESTS IN THE OFFERING AND SALE OF THE SECURITIES AS DESCRIBED IN THE OFFERING CIRCULAR AND RELATED DOCUMENTS; AND (2) REPRESENT AND WARRANT THAT (I) THE PERSON MAKING THE INVESTMENT DECISION ON BEHALF OF SUCH PURCHASER WITH RESPECT TO THE ACQUISITION AND HOLDING OF THE SECURITIES (OR ANY INTEREST IN A SECURITY) IS A FIDUCIARY (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-21) THAT IS INDEPENDENT OF EACH OF THE TRANSACTION PARTIES AND IS ONE OF THE FOLLOWING: (A) A BANK AS DEFINED IN SECTION 202 OF THE U.S. INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE "ADVISERS ACT") OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A U.S. STATE OR FEDERAL AGENCY, (B) AN INSURANCE CARRIER QUALIFIED UNDER THE LAWS OF MORE THAN ONE U.S. STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF AN ERISA PLAN, (C) AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT OR, IF NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE (REFERRED TO IN SUCH PARAGRAPH (1)) IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS, (D) A BROKER-DEALER REGISTERED UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, OR (E) AN INDEPENDENT FIDUCIARY THAT HOLDS, OR HAS UNDER MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST \$50 MILLION (EACH OF (I)(A) THROUGH (E) ABOVE, THE "QUALIFIED INDEPENDENT FIDUCIARY"); (II) THE QUALIFIED INDEPENDENT FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND STRATEGIES, INCLUDING THE ACQUISITION, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES (INCLUDING ANY INTEREST IN A SECURITY); (III) THE QUALIFIED INDEPENDENT FIDUCIARY IS A FIDUCIARY UNDER ERISA OR THE CODE, OR BOTH, WITH RESPECT TO THE ACQUISITION, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES OR ANY INTEREST THEREIN, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING SUCH TRANSACTIONS; AND (IV) NO FEE OR OTHER COMPENSATION IS BEING PAID DIRECTLY TO ANY OF THE TRANSACTION PARTIES BY THE PURCHASER OR THE QUALIFIED INDEPENDENT FIDUCIARY FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE ACQUISITION, HOLDING AND DISPOSITION OF THE SECURITIES (INCLUDING ANY INTEREST IN A SECURITY)."

Regulation S Notes

Each purchaser of Regulation S notes will be deemed to have represented and agreed as follows:

- (1) It is a non-U.S. person who is acquiring such Regulation S notes in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.
- (2) It understands that such Regulation S notes have not been and will not be registered under the Securities Act and may not be offered, resold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons except as permitted by the legend set forth in paragraph (4) below.
- (3) Either (i) no portion of the assets used by such purchaser or transferee to acquire or hold the notes constitutes assets of any Plan or (ii) its purchase and holding of the notes will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violation under any applicable Similar Laws.
- (4) It understands that the notes will bear a legend to the following effect, unless TICO determines otherwise in compliance with applicable law:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY JURISDICTION AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM

REGISTRATION UNDER THE SECURITIES ACT OR PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT. TOYOTA INDUSTRIES CORPORATION (THE “COMPANY”) HAS AGREED THAT THIS LEGEND SHALL BE DEEMED TO HAVE BEEN REMOVED ON THE 41ST DAY FOLLOWING THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE SECURITIES AND THE FINAL DELIVERY DATE WITH RESPECT THERETO.

IF THE PURCHASER OF THIS SECURITY (OR ANY INTEREST HEREIN) IS A PLAN OR ARRANGEMENT SUBJECT TO AN EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE (AN “ERISA PLAN”) THEN, AT ANY TIME WHEN REGULATION 29 C.F.R. SECTION 2510.3-21, AS MODIFIED, IS APPLICABLE, BY ITS ACCEPTANCE OF SUCH SECURITY OR INTEREST IN SUCH SECURITY, IT WILL BE DEEMED TO (1) ACKNOWLEDGE AND AGREE THAT (I) NONE OF THE COMPANY, ANY INITIAL PURCHASER, THEIR AGENTS OR OF THEIR ANY AFFILIATES (THE “TRANSACTION PARTIES”) HAS PROVIDED OR IS PROVIDING INVESTMENT ADVICE OF ANY KIND WHATSOEVER, BUT IN ALL EVENTS NONE OF THE TRANSACTION PARTIES HAS PROVIDED OR IS PROVIDING IMPARTIAL INVESTMENT ADVICE OR IS GIVING ANY ADVICE IN A FIDUCIARY CAPACITY IN CONNECTION WITH THE PURCHASER’S ACQUISITION OF THE SECURITIES OR ANY INTEREST THEREIN; AND (II) THE TRANSACTION PARTIES HAVE FINANCIAL INTERESTS IN THE OFFERING AND SALE OF THE SECURITIES AS DESCRIBED IN THE OFFERING CIRCULAR AND RELATED DOCUMENTS; AND (2) REPRESENT AND WARRANT THAT (I) THE PERSON MAKING THE INVESTMENT DECISION ON BEHALF OF SUCH PURCHASER WITH RESPECT TO THE ACQUISITION AND HOLDING OF THE SECURITIES (OR ANY INTEREST IN A SECURITY) IS A FIDUCIARY (WITHIN THE MEANING OF 29 C.F.R. SECTION 2510.3-21) THAT IS INDEPENDENT OF EACH OF THE TRANSACTION PARTIES AND IS ONE OF THE FOLLOWING: (A) A BANK AS DEFINED IN SECTION 202 OF THE U.S. INVESTMENT ADVISERS ACT OF 1940, AS AMENDED (THE “ADVISERS ACT”) OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A U.S. STATE OR FEDERAL AGENCY, (B) AN INSURANCE CARRIER QUALIFIED UNDER THE LAWS OF MORE THAN ONE U.S. STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF AN ERISA PLAN, (C) AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT OR, IF NOT REGISTERED AS AN INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE (REFERRED TO IN SUCH PARAGRAPH (1)) IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS, (D) A BROKER-DEALER REGISTERED UNDER THE U.S. SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, OR (E) AN INDEPENDENT FIDUCIARY THAT HOLDS, OR HAS UNDER MANAGEMENT OR CONTROL, TOTAL ASSETS OF AT LEAST \$50 MILLION (EACH OF (I)(A) THROUGH (E) ABOVE, THE “QUALIFIED INDEPENDENT FIDUCIARY”); (II) THE QUALIFIED INDEPENDENT FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH REGARD TO PARTICULAR TRANSACTIONS AND STRATEGIES, INCLUDING THE ACQUISITION, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES (INCLUDING ANY INTEREST IN A SECURITY); (III) THE QUALIFIED INDEPENDENT FIDUCIARY IS A FIDUCIARY UNDER ERISA OR THE CODE, OR BOTH, WITH RESPECT TO THE ACQUISITION, HOLDING AND SUBSEQUENT DISPOSITION OF THE SECURITIES OR ANY INTEREST THEREIN, AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING SUCH TRANSACTIONS; AND (IV) NO FEE OR OTHER COMPENSATION IS BEING PAID DIRECTLY TO ANY OF THE TRANSACTION PARTIES BY THE PURCHASER OR THE QUALIFIED INDEPENDENT FIDUCIARY FOR INVESTMENT ADVICE (AS OPPOSED TO OTHER SERVICES) IN CONNECTION WITH THE ACQUISITION, HOLDING AND DISPOSITION OF THE SECURITIES (INCLUDING ANY INTEREST IN A SECURITY).”

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions set forth in a purchase agreement, dated March 12, 2018, or the purchase agreement, between us and the initial purchasers named below, for whom Nomura Securities International, Inc., Morgan Stanley & Co. LLC, SMBC Nikko Securities America, Inc., Mizuho Securities USA LLC, J.P. Morgan Securities LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Citigroup Global Markets Inc. are acting as representatives, the initial purchasers have severally, and not jointly, agreed to purchase, and we have agreed to sell to the initial purchasers, the respective principal amount of the notes listed opposite their names below.

Initial purchasers	Principal amount of	
	5-year notes	10-year notes
Nomura Securities International, Inc.	\$130,000,000	\$130,000,000
Morgan Stanley & Co. LLC	125,000,000	125,000,000
SMBC Nikko Securities America, Inc.	60,000,000	60,000,000
Mizuho Securities USA LLC.....	60,000,000	60,000,000
J.P. Morgan Securities LLC	60,000,000	60,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	30,000,000	30,000,000
Citigroup Global Markets Inc.	30,000,000	30,000,000
Daiwa Capital Markets America Inc.	5,000,000	5,000,000
Total	\$500,000,000	\$500,000,000

The initial purchasers have advised us that they propose initially to offer each series of the notes at the respective issue price listed on the cover page of this offering circular. After the initial offering, the prices to investors may be changed. The initial purchasers have agreed to purchase each series of the notes from us at a purchase price that reflects a discount from the issue price, and the initial purchasers will retain the difference between such purchase price and issue price as compensation.

The initial purchasers are entitled to be released and discharged from their obligations under, and to terminate, the purchase agreement in certain circumstances prior to paying us for the notes. If an initial purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting initial purchasers may be increased. The initial purchasers are offering the notes subject to their acceptance of the notes from us and subject to prior sale. The purchase agreement provides that the obligations of the several initial purchasers to pay for and accept delivery of the notes are subject to approval of certain legal matters by their counsel and to certain other conditions.

The purchase agreement provides that we will indemnify the initial purchasers and their affiliates against specified liabilities, including liabilities under the Securities Act, in connection with the offer and sale of the notes, and will contribute to payments the initial purchasers and their affiliates may be required to make in respect of those liabilities.

The notes are being offered by the initial purchasers or affiliates of certain of the initial purchasers outside the United States in offshore transactions to persons other than U.S. persons in reliance on Regulation S under the Securities Act and by the initial purchasers or affiliates of certain of the initial purchasers in the United States to QIBs in reliance on Rule 144A under the Securities Act.

No Sale of Similar Securities

We have agreed that, during a period beginning the date hereof and ending the closing of the offering, we will not, without the prior written consent of the representatives of the initial purchasers, directly or indirectly, issue, sell, offer or contract to sell, grant any option for the sale of, or otherwise transfer or dispose of, any other of our U.S. dollar-denominated senior debt securities.

Short Positions

In connection with this offering, the initial purchasers may purchase and sell the notes in the open market, subject to applicable laws and regulations. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of notes in excess of the principal amount of notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Syndicate covering transactions involve purchases of the notes in the open market after

the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of notes made for the purpose of preventing or retarding a decline in the market prices of the notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market prices of the notes. They may also cause the prices of the notes to be higher than the prices that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the notes. In addition, the initial purchasers have no obligation to engage in these transactions, and these transactions, once commenced, may be discontinued at any time.

New Issues of the Notes

The notes are new issues of securities with no established trading market. In addition, the notes are subject to certain restrictions on resale and transfer as described under “Certain ERISA Considerations” and “Transfer Restrictions.” Approval in-principle has been received for the listing and quotation of the notes of each series on the SGX-ST. For so long as the notes of a series are listed on the SGX-ST, such notes will be traded on the SGX-ST in a minimum board lot size of \$200,000. The initial purchasers have advised us that they presently intend to make markets in the notes after completion of this offering. Such market-making activity will be subject to the limits imposed by applicable laws. However, they are under no obligation to do so and may discontinue any market-making activities at any time without any notice. A liquid or active public trading market for any of the notes may not develop. If an active trading market for the notes does not develop, the market prices and liquidity of the notes may be adversely affected. If such notes are traded, they may trade at discounts from the initial issue prices, depending on the market for similar securities, our performance and other factors. See “Risk Factors—Risks Related to the Notes—There is no prior market for the notes, and the notes may have limited liquidity.”

Settlement

We expect that delivery of the notes will be made to investors on or about March 16, 2018, which will be the 4th New York business day following the date of this offering circular (such settlement being referred to as “T+4”). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes prior to the delivery of the notes hereunder may be required, by virtue of the fact that the notes initially settle in T+4, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to their date of delivery hereunder should consult their advisors.

Selling Restrictions

General

No action has been or will be taken by us that would permit a public offering of the notes, or possession or distribution of this offering circular, any amendment or supplement thereto, or any other offering or publicity material relating to the notes in any country or jurisdiction where, or in any circumstances in which, action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this offering circular nor any other offering or publicity material relating to the notes may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with applicable laws and regulations.

United States

The notes have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States (as defined in Regulation S) or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and in accordance with the securities laws of any applicable state or other jurisdiction of the United States. The initial purchasers or U.S. affiliates of the initial purchasers may arrange for the sale of a portion of the notes in the United States exclusively to persons reasonably believed by them to be QIBs in reliance on the exemption from

registration requirements provided by Rule 144A under the Securities Act, and each United States purchaser of the notes is hereby notified that the offer and sale of the notes to it is being made in reliance upon such exemption. The offering of the notes to persons other than U.S. persons will be made outside the United States in offshore transactions in compliance with Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of the notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer is made otherwise than pursuant to Rule 144A under the Securities Act or another exemption from registration requirements under the Securities Act. Each purchaser of the notes will be deemed to have made acknowledgements, representations and agreements as described under “Transfer Restrictions.”

Japan

The notes have not been and will not be registered under the FIEA, and are subject to the Special Taxation Measures Act. The notes may not be offered or sold directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for reoffering or resale directly or indirectly in Japan or to, or for the benefit of, any person resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and governmental guidelines of Japan. In addition, as part of the initial distribution by the initial purchasers, the notes are not at any time to be directly or indirectly offered or sold to, or for the benefit of, any person other than a Gross Recipient. A Gross Recipient for this purpose is (i) a beneficial owner that is, for Japanese tax purposes, neither an individual resident of Japan or a Japanese corporation, nor an individual non-resident of Japan or a non-Japanese corporation that in either case is a specially-related person, (ii) a Japanese financial institution, designated in Article 3-2-2, Paragraph (28) of the Cabinet Order relating to the Special Taxation Measures Act that will hold the notes for its own proprietary account or (iii) any other excluded category of persons, corporations or other entities under the Special Taxation Measures Act.

Prohibition of Sales to EEA Retail Investors

The notes have not been and will not be offered, sold or otherwise made available to any retail investor in the EEA.

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United Kingdom

Each initial purchaser has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Hong Kong

The contents of this offering circular have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering circular, you should obtain independent professional advice.

Each initial purchaser (i) has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any notes other than (a) to “professional investors” as defined in the Securities and Futures

Ordinance (Cap. 571) of Hong Kong, or the SFO, and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

Singapore

This offering circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore or the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Switzerland

This offering circular is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this offering circular nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations, and neither this offering circular nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering circular nor any other offering or marketing material relating to the offering, us or the notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this offering circular will not be filed with, and the offer of the notes will not be supervised by, the Swiss Financial

Market Supervisory Authority FINMA, and the offer of the notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or the CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the notes.

Stamp Taxes and Other Charges

Purchasers of the notes offered by this offering circular may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase and in addition to the respective issue price on the cover page of this offering circular.

Other Relationships

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the initial purchasers and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking and commercial banking services for us or our subsidiaries and affiliates, for which they received or will receive customary fees and expenses.

In connection with the offering of the notes, the initial purchasers and/or their respective affiliates may act as investors for their own accounts and may take up the notes in the offering and in that capacity may retain, purchase or sell for their own accounts such securities and any securities of us or our affiliates or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the notes being offered should be read as including any offering of the notes to the initial purchasers and/or their respective affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), financial instruments (including bank loans), currencies and commodities for their own account (including purchasing the notes for their own account) and for the accounts of their customers, and such investment and securities activities may involve securities, instruments or assets of ours or related to our business. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their respective affiliates may also make investment recommendations and may publish or express independent research views in respect of such securities or instruments or in respect of assets, currencies or commodities that may be related to our business, and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities, instruments, currencies or commodities.

LEGAL MATTERS

The validity of the notes and certain legal matters will be passed upon for us by Skadden, Arps, Slate, Meagher & Flom LLP and for the initial purchasers by Davis Polk & Wardwell LLP. Certain Japanese legal matters will be passed upon by Mori Hamada & Matsumoto, our Japanese counsel.

INDEPENDENT AUDITOR

Our consolidated financial statements as of and for the year ended March 31, 2017, included in this offering circular, have been audited by PricewaterhouseCoopers Aarata LLC, our independent auditor, as stated in their report appearing herein.

With respect to our unaudited condensed quarterly consolidated financial statements as of and for the three-month and nine-month periods ended December 31, 2017, included in this offering circular, PricewaterhouseCoopers Aarata LLC reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated February 26, 2018 appearing herein states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

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Independent Auditor's Report

To the Board of Directors of Toyota Industries Corporation

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of matter

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

Our opinion is not qualified in respect of these matters.

/s/ PricewaterhouseCoopers Aarata LLC

September 29, 2017

[Consolidated Financial Statements]
[Consolidated Statement of Financial Position]

(Millions of yen)

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

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

(Millions of yen)

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

[Consolidated Statement of Profit or Loss]

(Millions of yen)

	Notes	FY2016 (April 1, 2015 - March 31, 2016)	FY2017 (April 1, 2016 - March 31, 2017)
Net sales		1,696,856	1,675,148
Cost of sales	21, 22	(1,291,859)	(1,278,378)
Gross profit		404,997	396,769
Selling, general and administrative expenses	21, 22	(266,894)	(268,354)
Other income	23	10,879	11,411
Other expenses	23	(11,956)	(12,480)
Operating profit		137,026	127,345
Financial income	24	67,264	63,734
Financial expenses	24	(13,536)	(10,067)
Share of profit of investments accounted for by the equity method	12	632	974
Profit before income taxes		191,386	181,986
Income taxes	25	(52,865)	(44,420)
Profit from continuing operations		138,521	137,565
Profit from discontinued operations	31	61,435	—
Profit		199,956	137,565
Profit attributable to:			
Owners of the parent		194,270	131,398
Non-controlling interests		5,685	6,167
Earnings per share	26		
Basic:			
Continuing operations		422.80	420.78
Discontinued operations		195.54	—
Earnings per share— basic (yen)		618.34	420.78
Diluted:			
Continuing operations		422.79	—
Discontinued operations		195.54	—
Earnings per share— diluted (yen)		618.33	—

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

[Consolidated Statement of Comprehensive Income]

(Millions of yen)

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

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

[Consolidated Statement of Changes in Equity]

(Millions of yen)

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

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

(Millions of yen)

(amounts in yen)

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

[Consolidated Statement of Cash Flows]

(Millions of yen)

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

(Millions of yen)

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

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

Notes to Consolidated Financial Statements

1. Nature of Operations

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

2. Basis of Presentation

(1) Conformance of Consolidated Financial Statements with IFRS

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

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

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

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

(4) Estimates and Use of Judgments

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

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

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

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

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

(5) Early Adoption of New Accounting Standards

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

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

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

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

3. Significant Accounting Policies

(1) Basis of Consolidation

(i) Business combinations

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

(ii) Subsidiaries

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

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

(iii) Affiliates

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

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

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

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

(2) Foreign Currencies

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot rate using the exchange rate at the fair value calculation date.

Any exchange difference arising from the retranslation and settlement is recognized in profit or loss of the period.

(ii) Foreign operations

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

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

(3) Cash and Cash Equivalents

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

(4) Inventories

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

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

(5) Property, Plant and Equipment

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

Estimated useful lives and the method of depreciation are reviewed at the fiscal year-end. Changes in estimated useful lives or depreciation methods are accounted for on a prospective basis as a change in accounting estimate.

Property, plant and equipment, excluding land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Leased assets are depreciated over the shorter of the lease term or their estimated useful lives, unless it is reasonably certain that Toyota Industries will acquire ownership by expiration of the lease term. The estimated useful lives for major classes of assets are as follows.

Buildings and structures: 5 to 60 years

Machinery and vehicles: 3 to 22 years

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

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

(6) Intangible Assets

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

(i) Intangible assets acquired separately

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

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

(ii) Internally generated intangible assets

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

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

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

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

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

(iii) Intangible assets acquired in business combinations

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

(iv) Amortization of intangible assets

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

Software: 3 to 5 years

Development assets: 2 to 10 years

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

(v) Derecognition of intangible assets

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

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

(7) Leases

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

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

(i) Leases as lessee

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

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

(ii) Leases as lessor

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

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

(8) Provisions

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

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

(9) Government Grants

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

(10) Employee Benefits

(i) Post-employment benefits

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

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

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

(ii) Short-term employee benefits

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

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

(iii) Other long-term employee benefits

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

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

(iv) Share-based compensation

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

(11) Financial Instruments

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

(i) Non-derivative financial assets

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

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

(Financial assets measured at amortized cost)

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

(Financial assets measured at fair value)

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

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

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

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

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

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

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

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

(ii) Non-derivative financial liabilities

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

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

(iii) Derivatives

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

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

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

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

(iv) Offsetting financial assets and liabilities

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

(12) Profits

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

(i) Sales of goods

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

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

(ii) Provision of services

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

(iii) Multiple-element transactions

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

Each element has stand-alone value to the customer.

The fair value of each element can be reliably measured.

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

(13) Financial Income and Financial Expenses

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

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

(14) Income Taxes

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and affiliates. However, deferred tax liabilities are not recognized if Toyota Industries is able to control the reversal of the

temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

(15) Impairment Losses

(i) Financial assets

Financial assets measured at amortized cost are assessed for impairment losses based on expected credit losses.

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

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

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

(ii) Non-financial assets

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

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

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

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

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

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

(16) Earnings per Share

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

(17) Reporting by Segment

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

(18) Discontinued operations

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

4. Segment Information

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

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

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

The accounting method of reporting segment information is based on “3. Significant Accounting Policies”.

Segment profit is based on operating profit.

(1) Operating segment information

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

Transition date (April 1, 2015)

(Millions of yen)

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

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

2. Breakdown of adjustments

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

Other significant items

(Millions of yen)

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

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

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

(Millions of yen)

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

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

Other significant items

(Millions of yen)

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

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

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

(Millions of yen)

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

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

Other significant items

(Millions of yen)

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

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

(2) Sales by product

Outside customer sales by product consist of the following.

(Millions of yen)

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

(3) Geographical information

Outside customer sales

(Millions of yen)

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

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

Non-current assets

(Millions of yen)

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

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

(4) Principal customer information

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

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

5. Business Combinations

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

(Business combination through acquisition)

(1) Outline of business combination

(i) Name and business of acquiree

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

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

(ii) Main purpose of business combination

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

(iii) Date of business combination

October 1, 2015

(iv) Measure of business combination

Transfer of business involving cash and cash equivalents

(v) Name of acquiree after business combination

Toyota Industries Commercial Finance, Inc.

(vi) Basis of determination of acquirer

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

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

From October 1, 2015 through March 31, 2016

(3) Acquisition cost of acquiree

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

Acquisition cost: 277,643 million yen

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

Advisory fees and other expenses: 99 million yen

The above amount is included in "Other expenses".

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

(i) Amount of goodwill

27,545 million yen

(ii) Reason for generating goodwill

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

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

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

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

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

(Millions of yen)

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

(8) Sales and profit from the acquiree

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

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

6. Cash and Cash Equivalents

Cash and cash equivalents consist of the following.

(Millions of yen)

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

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

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

7. Trade Receivables and Other Receivables

Trade receivables and other receivables consist of the following.

(Millions of yen)

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

These receivables are financial assets measured at amortized cost.

Amounts by collection or settlement period consist of the following.

(Millions of yen)

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

8. Other Financial Assets

(1) Outline of other financial assets

Other financial assets consist of the following.

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

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

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

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

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

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

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

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

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

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

(Millions of yen)

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

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

9. Inventories

Inventories consist of the following.

(Millions of yen)

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

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

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

(Millions of yen)

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

10. Property, Plant and Equipment

(1) Increase (decrease)

Acquisition cost

(Millions of yen)

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

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

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

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

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

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

Carrying amount

(Millions of yen)

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

(2) Lease assets

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

(Millions of yen)

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

11. Goodwill and Intangible Assets

(1) Increase (decrease)

Acquisition cost

(Millions of yen)

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

Accumulated amortization and accumulated impairment losses

(Millions of yen)

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

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

Carrying amount

(Millions of yen)

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

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

(2) Lease assets

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

(Millions of yen)

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

(3) Impairment testing of goodwill

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

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

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

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

12. Investments Accounted for by the Equity Method

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

(Millions of yen)

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

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

(Millions of yen)

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

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

13. Trade Payables and Other Payables

Trade payables and other payables consist of the following.

(Millions of yen)

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

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

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

(Millions of yen)

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

14. Corporate Bonds and Loans

Corporate bonds and loans consist of the following.

(Millions of yen)

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

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

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

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

(Millions of yen)

Company name	Name	Issuance date	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Interest rate (%)	Collateral	Maturity date
The Company	15th issuance of corporate bonds without collateral	November 21, 2005	29,996	—	—	1.660	None	September 18, 2015
The Company	16th issuance of corporate bonds without collateral	October 20, 2006	19,987	19,995	—	1.950	None	September 20, 2016
The Company	17th issuance of corporate bonds without collateral	September 26, 2008	25,970	25,979	25,987	1.720	None	September 20, 2018

Company name	Name	Issuance date	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Interest rate (%)	Collateral	Maturity date
The Company	18th issuance of corporate bonds without collateral	April 22, 2009	49,942	49,957	49,971	2.109	None	March 20, 2019
Toyota Industries Finance International AB	Medium-term notes	April 22, 2010- June 28, 2010	7,053 [504 million Swedish krona]	—	—	0.450 - 0.740	None	April 23, 2015- June 17, 2015
The Company	19th issuance of corporate bonds without collateral	September 13, 2011	29,931	29,941	29,952	1.109	None	September 17, 2021
The Company	20th issuance of corporate bonds without collateral	November 30, 2012	9,996	—	—	0.181	None	September 18, 2015
The Company	21st issuance of corporate bonds without collateral	November 30, 2012	9,984	9,991	9,996 (9,996)	0.265	None	September 20, 2017
The Company	22nd issuance of corporate bonds without collateral	November 30, 2012	9,970	9,974	9,978	0.821	None	September 20, 2022
The Company	23rd issuance of corporate bonds without collateral	September 5, 2013	9,975	9,980	9,984	0.554	None	September 18, 2020
The Company	24th issuance of corporate bonds without collateral	September 5, 2013	9,971	9,975	9,978	0.797	None	June 20, 2023
The Company	25th issuance of corporate bonds without collateral	September 11, 2014	9,977	9,982	9,987	0.234	None	September 20, 2019
The Company	26th issuance of corporate bonds without collateral	September 11, 2014	9,971	9,976	9,980	0.361	None	September 17, 2021

Company name	Name	Issuance date	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)	Interest rate (%)	Collateral	Maturity date
The Company	27th issuance of corporate bonds without collateral	May 29, 2015	—	9,979	9,984	0.207	None	June 19, 2020
The Company	28th issuance of corporate bonds without collateral	May 29, 2015	—	9,973	9,977	0.318	None	June 20, 2022
The Company	Medium-term notes	June 19, 2015	—	5,054 [USD44 million]	5,036 [USD44 million]	0.075	None	June 19, 2020
The Company	29th issuance of corporate bonds without collateral	July 15, 2016	—	—	19,938	0.080	None	June 19, 2026
Toyota Industries Commercial Finance, Inc.	Medium-term notes	January 31, 2017-March 15, 2017	—	—	10,097 [USD90 million]	2.630 - 2.871	None	January 31, 2022-March 16, 2022
The Company	30th issuance of corporate bonds without collateral	March 9, 2017	—	—	49,910	0.001	None	March 19, 2020
Total	—	—	232,729	210,760	270,762 (9,996)	—	—	—

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

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

15. Other Financial Liabilities

Other financial liabilities consist of the following.

(Millions of yen)

	Transition date (April 1, 2015)	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Lease obligations	169,308	147,116	117,080
Derivative liabilities	3,367	4,164	3,560
Deposits payable	87,623	30,408	30,541
Total	260,299	181,688	151,182
Current liabilities	138,667	75,440	71,807
Non-current liabilities	121,632	106,248	79,375
Total	260,299	181,688	151,182

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

16. Assets Pledged as Collateral and Secured Liabilities

Assets pledged as collateral consist of the following.

(Millions of yen)

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

Secured liabilities consist of the following.

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

(Millions of yen)

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

17. Provisions

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

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

(Millions of yen)

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

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

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

“Others” mainly includes provision for litigation.

18. Employee Benefits

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

(1) Overview of post-employment plans adopted

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

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

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

(2) Defined benefit plans

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

(Millions of yen)

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

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

(i) Fluctuations of present value of defined benefit obligations

(Millions of yen)

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

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

(ii) Fluctuations of fair value of plan assets

(Millions of yen)

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

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

(iii) Classes of plan assets

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

(Millions of yen)

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

(Note) “Others” includes cash and deposits, etc.

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

(Millions of yen)

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

(Note) “Others” includes cash and deposits, etc.

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

(Millions of yen)

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

(Note) “Others” includes cash and deposits, etc.

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

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

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

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

(iv) Actuarial assumptions

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

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

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

(Millions of yen)

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

(3) Defined contribution pension plan

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

(4) Multi-employer plan

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

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

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

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

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

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

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

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

19. Equity and Other Equity Items

(1) Capital stock and capital surplus

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

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

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

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

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

(2) Retained earnings

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

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

(3) Treasury stock

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

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

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

(4) Other components of shareholders' equity

(i) Net changes in revaluation of FVTOCI financial assets

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

(ii) Remeasurements of defined benefit plans

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

(iii) Translation adjustments of foreign operations

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

(iv) Cash flow hedges

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

(v) Subscription rights to shares

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

20. Cash Dividends

(1) Dividends paid

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

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

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

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

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

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

21. Breakdown of Expenses by Nature

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

(Millions of yen)

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

22. Research and Development Expenses

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

(Millions of yen)

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

23. Other Earnings and Expenses

Other earnings consist of the following.

(Millions of yen)

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

Other expenses consist of the following.

(Millions of yen)

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

24. Financial Income and Financial Expenses

Financial income consists of the following.

(Millions of yen)

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

Financial expenses consist of the following.

(Millions of yen)

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

25. Income Taxes

(1) Income tax expenses

Income tax expenses consist of the following.

(Millions of yen)

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

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

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

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

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

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

(2) Deferred tax assets and deferred tax liabilities

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

26. Earnings per Share

(1) Basis of calculation for basic earnings per share

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

(Millions of yen)

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

(ii) Weighted-average number of common stock

(Thousands)

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

(2) Basis of calculation for diluted earnings per share

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

(Millions of yen)

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

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

(Thousands)

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

27. Other Comprehensive Income

(Millions of yen)

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

28. Important Non-Cash Transactions

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

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

29. Financial Instruments

(1) Capital management

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

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

(2) Matters concerning risk management

(A) Risk management policy

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

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

i) Credit risk

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

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

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

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

Measuring expected credit loss for accounts receivable and lease investment assets

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

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

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

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

Transition date (April 1, 2015)

(Millions of yen)

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

FY2016 (As of March 31, 2016)

(Millions of yen)

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

FY2017 (As of March 31, 2017)

(Millions of yen)

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

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

(Millions of yen)

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

Changes in expected credit loss consist of the following.

FY2016 (As of March 31, 2016)

(Millions of yen)

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

FY2017 (As of March 31, 2017)

(Millions of yen)

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

ii) Liquidity risk

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

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

Transition date (April 1, 2015)

(Millions of yen)

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

FY 2016 (As of March 31, 2016)

(Millions of yen)

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

FY2017 (As of March 31, 2017)

(Millions of yen)

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

iii) Market risk

(a) Foreign currency risk

Engaged in business globally, Toyota Industries conducts transactions in foreign currencies and is exposed to the risk that profit or loss, cash flow and others will be affected by exchange rate fluctuations. In accordance with its treasury policy,

in principle, Toyota Industries uses foreign currency forward contracts, foreign currency option contracts and foreign currency swaps to hedge foreign currency risk for each currency for its monetary credits and liabilities denominated in foreign currencies.

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

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

Exchange rate sensitivity analysis

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

(Millions of yen)

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

(b) Interest rate risk

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

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

(c) Price fluctuation risk of equity financial instruments

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

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

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

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

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

(3) Fair value of financial instruments

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

1) Level 1

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

2) Level 2

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

3) Level 3

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

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

(i) Financial instruments measured at amortized cost

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

Transition date (April 1, 2015)

(Millions of yen)

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

FY2016 (As of March 31, 2016)

(Millions of yen)

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

(Millions of yen)

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

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

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

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

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

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

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

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

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

Transition date (April 1, 2015)

(Millions of yen)

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

FY2016 (As of March 31, 2016)

(Millions of yen)

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

FY2017 (As of March 31, 2017)

(Millions of yen)

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

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

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

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

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

(Millions of yen)

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

- (Notes) 1. Gains and losses included in the profit and loss of the fiscal year ended March 31, 2017 are those for financial assets measured at fair value through profit or loss. These gains and losses are included in “Financial income” and “Financial expenses” on the Consolidated Statement of Profit or Loss.
- (Notes) 2. Gains and losses included in other comprehensive income are those for financial assets measured at fair value through other comprehensive income as of the closing date. These gains and losses are included in “Net changes in revaluation of FVTOCI financial assets” on the Consolidated Statement of Comprehensive Income.

(4) Offsetting of financial assets and financial liabilities

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

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

Transition date (April 1, 2015)

(Millions of yen)

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

(Millions of yen)

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

FY2016 (As of March 31, 2016)

(Millions of yen)

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

(Millions of yen)

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

FY2017 (As of March 31, 2017)

(Millions of yen)

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

(Millions of yen)

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

(5) Derivative transactions and hedging activities

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

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

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

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

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

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

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

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

(a) Notional principals and average prices of hedging instruments

Transition date (April 1, 2015)

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

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

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

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

(b) Carrying amount of hedging instruments
Transition date (April 1, 2015)

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

(Millions of yen)

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

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

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

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

(Millions of yen)

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

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

(Millions of yen)

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

30. Leases

(1) Finance Leases

(i) As lessor

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

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

(Millions of yen)

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

(ii) As lessee

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

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

(Millions of yen)

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

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

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

(Millions of yen)

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

(2) Operating leases

(i) As lessor

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

(Millions of yen)

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

(ii) As lessee

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

(Millions of yen)

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

The lease fees recognized as expenses consist of the following.

(Millions of yen)

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

31. Discontinued Operations

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

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

1) Analysis of profit and loss of discontinued operations

(Millions of yen)

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

2) Sales consideration

167,000 million yen

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

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

4) An analysis of cash flows from discontinued operations

(Millions of yen)

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

32. Related Party Transactions

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

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

Toyota Industries has transactions with the following related parties.

(Millions of yen)

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

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

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

(Millions of yen)

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

(2) Principal management personnel compensation

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

(Millions of yen)

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

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

(Millions of yen)

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

33. Contingencies

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

34. Commitments

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

35. Major Consolidated Subsidiaries

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

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

36. Subsequent Events

(Business combination through acquisition)

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

1. Outline of business combination

(1) Name and business of acquiree

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

Business content: Logistics solutions business

(2) Main purpose of business combination

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

(3) Date of business combination

May 18, 2017

(4) Measure of business combination

Stock acquisition

(5) Name of acquiree after business combination

Vanderlande Industries Holding B.V.

(6) Acquired voting rights ratio

Voting rights ratio of 100% after the acquisition

(7) Basis of determination of acquirer

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

2. Content and amount of principal acquisition-related expenses

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

Acquisition cost: 144,639 million yen

3. Amount of goodwill generated

Currently in the process of determining

(Business combination through acquisition)

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

1. Outline of business combination

(1) Name and business of acquiree

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

Business content: Logistics solutions business

(2) Main purpose of business combination

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

(3) Date of business combination

April 3, 2017

(4) Measure of business combination

Stock acquisition

(5) Name of acquiree after business combination

Bastian Solutions LLC

(6) Acquired voting rights ratio

Voting rights ratio of 100% after the acquisition

(7) Basis of determination of acquirer

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

2. Content and amount of principal acquisition-related expenses

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

Acquisition cost: 29,648 million yen

3. Amount of goodwill generated

Currently in the process of determining

37. Disclosure on Transition to IFRS

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

(1) IFRS 1 Exemption Rules

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

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

● Business combinations

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

● Translation adjustments of foreign operations

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

● Designation of financial instruments recognized in the past

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

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

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

(3) Adjustment Tables

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

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

(Millions of yen)

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

(Millions of yen)

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

Notes on Adjustments to Equity

(1) Property, plant and equipment

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

(2) Development assets

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

(3) Employee benefits

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

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

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

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

(5) Measuring financial Instruments (unlisted stock)

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

(6) Foundry

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

(7) Hedge accounting (corporate bonds and loans)

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

(8) Share-based compensation

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

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

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

(10) Recoverability of deferred tax assets

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

Adjustments to retained earnings

(Millions of yen)

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

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

(Millions of yen)

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

(Millions of yen)

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

Notes on Adjustments to Equity

(1) Property, plant and equipment

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

(2) Development assets

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

(3) Employee benefits

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

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

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

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

(5) Measuring financial instruments (unlisted stock)

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

(6) Foundry

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

(7) Hedge accounting (corporate bonds and loans)

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

(8) Goodwill

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

(9) Share-based compensation

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

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

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

(11) Recoverability of deferred tax assets

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

Adjustments to retained earnings

(Millions of yen)

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

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

(Millions of yen)

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

(Millions of yen)

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

(1) Supply-for-a-fee transactions

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

(2) Promotion expenses

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

(3) Property, plant and equipment (depreciation)

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

(4) Development assets (research and development expenses)

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

(5) Employee benefits

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

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

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

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

(7) Foundry

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

(8) Goodwill

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

(9) Share-based compensation

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

(10) Measuring financial instruments (unlisted stock)

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

Notes on Reclassification of Lines

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

a) Cash and cash equivalents

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

b) Trade receivables and other receivables (current)

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

c) Other financial assets (current)

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

d) Other current assets

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

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

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

f) Investments accounted for by the equity method

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

g) Other financial assets (non-current)

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

h) Other non-current assets

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

i) Deferred tax assets and deferred tax liabilities

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

j) Trade payables and other payables

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

k) Other financial liabilities (current)

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

l) Provisions (current)

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

m) Other current liabilities

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

n) Other financial liabilities (non-current)

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

o) Provisions (non-current)

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

p) Profit and loss of discontinued operations

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

q) Other income

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

r) Other expenses

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

s) Financial income

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

t) Financial expenses

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

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

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

Notes on Reclassification of Financial Statements under Japanese GAAP

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

Adjustments to Consolidated Cash Flow

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

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Independent Auditor's Quarterly Review Report

To the Board of Directors of Toyota Industries Corporation

We have reviewed the accompanying condensed quarterly consolidated financial statements of Toyota Industries Corporation ("the Company") and its consolidated subsidiaries, which comprise the condensed quarterly consolidated statement of financial position as at December 31, 2017, the condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income for the three-month and nine-month periods then ended, condensed quarterly consolidated statement of changes in equity and condensed quarterly consolidated statement of cash flows for the nine-month period then ended, and notes to the condensed quarterly consolidated financial statements.

Management's Responsibility for the Condensed Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these condensed quarterly consolidated financial statements in accordance with International Accounting Standards 34 "Interim Financial Reporting", and for such internal control as management determines is necessary to enable the preparation of condensed quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these condensed quarterly consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan.

A review of condensed quarterly consolidated financial statements consists of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed quarterly consolidated financial statements do not present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at December 31, 2017, of its financial performance for the three-month and nine-month periods and its cash flows for the nine-month period then ended in accordance with International Accounting Standard 34, "Interim Financial Reporting".

/s/ PricewaterhouseCoopers Aarata LLC

February 26, 2018

[Unaudited Condensed Quarterly Consolidated Financial Statements]
[Unaudited Condensed Quarterly Consolidated Statement of Financial Position]

(Millions of yen)

	Notes	FY2017 (As of March 31, 2017)	FY2018 Third Quarter (As of December 31, 2017)
Assets			
Current assets			
Cash and cash equivalents		243,685	239,658
Time deposits with deposit terms of over three months		162,668	108,468
Trade receivables and other receivables		646,542	741,555
Other financial assets		11,632	7,139
Inventories		194,427	227,089
Income tax receivables		21,106	9,531
Other current assets		42,356	53,155
Total current assets		1,322,420	1,386,597
Non-current assets			
Property, plant and equipment		833,329	893,585
Goodwill and intangible assets		185,813	385,824
Trade receivables and other receivables		149	301
Investments accounted for by the equity method		8,673	9,787
Other financial assets		2,161,509	2,654,891
Net defined benefit assets		18,129	27,507
Deferred tax assets	8	23,800	28,256
Other non-current assets		4,386	5,415
Total non-current assets		3,235,791	4,005,569
Total assets		4,558,212	5,392,167

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

(Millions of yen)

	Notes	FY2017 (As of March 31, 2017)	FY2018 Third Quarter (As of December 31, 2017)
Liabilities and Equity			
Liabilities			
Current liabilities			
Trade payables and other payables		395,698	434,400
Corporate bonds and loans		311,663	362,396
Other financial liabilities		71,807	76,990
Accrued income taxes		11,163	18,183
Provisions		7,397	7,466
Other current liabilities		12,872	23,189
Total current liabilities		810,603	922,626
Non-current liabilities			
Corporate bonds and loans		665,890	740,023
Other financial liabilities		79,375	74,146
Net defined benefit liabilities		92,552	93,518
Provisions		6,479	9,382
Deferred tax liabilities	8	567,803	744,175
Other non-current liabilities		19,039	20,924
Total non-current liabilities		1,431,140	1,682,170
Total liabilities		2,241,744	2,604,797
Equity			
Share of equity attributable to owners of the parent			
Capital stock		80,462	80,462
Capital surplus		105,417	105,461
Retained earnings		954,503	1,056,669
Treasury stock		(59,272)	(59,280)
Other components of shareholders' equity		1,159,181	1,523,354
Total share of equity attributable to owners of the parent		2,240,293	2,706,667
Non-controlling interests		76,174	80,702
Total equity		2,316,467	2,787,369
Total liabilities and equity		4,558,212	5,392,167

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

[Unaudited Condensed Quarterly Consolidated Statement of Profit or Loss]

[The nine-month periods ended December 31, 2016 and 2017]

(Millions of yen)

	Notes	FY2017 Third Quarter (April 1, 2016 – December 31, 2016)	FY2018 Third Quarter (April 1, 2017 – December 31, 2017)
Net sales		1,229,677	1,464,686
Cost of sales		(935,634)	(1,119,470)
Gross profit		294,042	345,216
Selling, general and administrative expenses		(197,213)	(243,215)
Other income	7	7,703	20,089
Other expenses		(7,909)	(7,068)
Operating profit		96,622	115,022
Financial income		64,455	70,421
Financial expenses		(7,809)	(7,832)
Share of profit of investments accounted for by the equity method		714	931
Profit before income taxes		153,983	178,543
Income taxes	8	(34,814)	(28,138)
Profit		119,168	150,405
Profit attributable to:			
Owners of the parent		113,984	146,166
Non-controlling interests		5,184	4,238
Earnings per share	9		
Earnings per share– basic (yen)		364.34	470.76
Earnings per share– diluted (yen)		—	—

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

[The three-month periods ended December 31, 2016 and 2017]

(Millions of yen)

	Notes	FY2017 Third Quarter (October 1, 2016 - December 31, 2016)	FY2018 Third Quarter (October 1, 2017 - December 31, 2017)
Net sales		425,227	526,750
Cost of sales		(324,359)	(400,893)
Gross profit		100,868	125,856
Selling, general and administrative expenses		(67,590)	(87,308)
Other income		4,618	2,082
Other expenses		(2,270)	(2,632)
Operating profit		35,625	37,997
Financial income		31,598	32,490
Financial expenses		(1,225)	(2,603)
Share of profit of investments accounted for by the equity method		380	341
Profit before income taxes		66,379	68,226
Income taxes		(15,057)	(1,604)
Profit		51,321	66,621
Profit attributable to:			
Owners of the parent		49,299	65,286
Non-controlling interests		2,022	1,334
Earnings per share	9		
Earnings per share— basic (yen)		158.58	210.27
Earnings per share— diluted (yen)		—	—

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

[Unaudited Condensed Quarterly Consolidated Statement of Comprehensive Income]

[The nine-month periods ended December 31, 2016 and 2017]

(Millions of yen)

	Notes	FY2017 Third Quarter (April 1, 2016 - December 31, 2016)	FY2018 Third Quarter (April 1, 2017 - December 31, 2017)
Profit		119,168	150,405
Other comprehensive income:	8		
Items not to be reclassified into profit or loss			
Net changes in revaluation of FVTOCI financial assets	10	204,601	331,463
Remeasurements of defined benefit plans		1,196	(1,913)
Other comprehensive income of affiliates accounted for by the equity method		33	1
Total items not to be reclassified into profit or loss		205,831	329,551
Items that can be reclassified into profit or loss			
Translation adjustments of foreign operations		(4,157)	34,545
Cash flow hedges		153	285
Other comprehensive income of affiliates accounted for by the equity method		234	186
Total items that can be reclassified into profit or loss		(3,769)	35,017
Total other comprehensive income		202,061	364,568
Comprehensive income		321,230	514,974
Total comprehensive income attributable to:			
Owners of the parent		315,763	508,254
Non-controlling interests		5,466	6,719

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

[The three-month periods ended December 31, 2016 and 2017]

(Millions of yen)

	Notes	FY2017 Third Quarter (October 1, 2016 - December 31, 2016)	FY2018 Third Quarter (October 1, 2017 - December 31, 2017)
Profit		51,321	66,621
Other comprehensive income:			
Items not to be reclassified into profit or loss			
Net changes in revaluation of FVTOCI financial assets		260,383	165,645
Remeasurements of defined benefit plans		(1,404)	(337)
Other comprehensive income of affiliates accounted for by the equity method		17	(13)
Total items not to be reclassified into profit or loss		258,996	165,295
Items that can be reclassified into profit or loss			
Translation adjustments of foreign operations		60,597	4,697
Cash flow hedges		89	274
Other comprehensive income of affiliates accounted for by the equity method		967	25
Total items that can be reclassified into profit or loss		61,655	4,998
Total other comprehensive income		320,651	170,293
Comprehensive income		371,973	236,915
Total comprehensive income attributable to:			
Owners of the parent		365,719	234,835
Non-controlling interests		6,254	2,079

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

[Unaudited Condensed Quarterly 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 shareholders' equity	
						Net changes in revaluation of FVTOCI financial assets	Remeasurements of defined benefit plans
Balance at April 1, 2016		80,462	105,517	855,317	(41,266)	1,132,655	—
Profit	6	—	—	113,984	—	—	—
Other comprehensive income		—	—	—	—	204,308	1,126
Total comprehensive income		—	—	113,984	—	204,308	1,126
Repurchase of treasury stock		—	(36)	—	(18,006)	—	—
Disposal of treasury stock		—	(0)	—	5	—	—
Dividends		—	—	(37,609)	—	—	—
Changes in ownership interest of subsidiaries		—	—	—	—	—	—
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	—
Reclassified into retained earnings		—	—	1,711	—	(584)	(1,126)
Other increases (decreases)		—	—	—	—	—	—
Total transactions with owners		—	(37)	(35,898)	(18,000)	(584)	(1,126)
Balance at December 31, 2016		80,462	105,479	933,404	(59,267)	1,336,379	—

Balance at April 1, 2017		80,462	105,417	954,503	(59,272)	1,209,592	—
Profit	6	—	—	146,166	—	—	—
Other comprehensive income		—	—	—	—	331,022	(1,971)
Total comprehensive income		—	—	146,166	—	331,022	(1,971)
Repurchase of treasury stock		—	—	—	(8)	—	—
Disposal of treasury stock		—	—	—	—	—	—
Dividends		—	—	(41,915)	—	—	—
Changes in ownership interest of subsidiaries		—	43	—	—	—	—
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	—
Reclassified into retained earnings		—	—	(2,084)	—	112	1,971
Other increases (decreases)		—	—	—	—	—	—
Total transactions with owners		—	43	(44,000)	(8)	112	1,971
Balance at December 31, 2017		80,462	105,461	1,056,669	(59,280)	1,540,727	—

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

(Millions of yen)

	Notes	Share of equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other components of shareholders' equity				Total		
		Translation adjustments of foreign operations	Cash flow hedges	Subscription rights to shares	Total			
Balance at April 1, 2016		(32,799)	(1,235)	6	1,098,627	2,098,658	70,655	2,169,313
Profit	6	—	—	—	—	113,984	5,184	119,168
Other comprehensive income		(3,809)	153	—	201,778	201,778	282	202,061
Total comprehensive income		(3,809)	153	—	201,778	315,763	5,466	321,230
Repurchase of treasury stock		—	—	—	—	(18,043)	—	(18,043)
Disposal of treasury stock		—	—	—	—	5	—	5
Dividends		—	—	—	—	(37,609)	(2,196)	(39,805)
Changes in ownership interest of subsidiaries		—	—	—	—	—	—	—
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	(94)	(94)
Reclassified into retained earnings		—	—	—	(1,711)	—	—	—
Other increases (decreases)		—	—	(6)	(6)	(6)	2,446	2,440
Total transactions with owners		—	—	(6)	(1,717)	(55,654)	155	(55,498)
Balance at December 31, 2016		(36,609)	(1,082)	—	1,298,688	2,358,768	76,278	2,435,046

Balance at April 1, 2017		(50,417)	6	—	1,159,181	2,240,293	76,174	2,316,467
Profit	6	—	—	—	—	146,166	4,238	150,405
Other comprehensive income		32,752	285	—	362,088	362,088	2,480	364,568
Total comprehensive income		32,752	285	—	362,088	508,254	6,719	514,974
Repurchase of treasury stock		—	—	—	—	(8)	—	(8)
Disposal of treasury stock		—	—	—	—	—	—	—
Dividends		—	—	—	—	(41,915)	(2,374)	(44,290)
Changes in ownership interest of subsidiaries		—	—	—	—	43	—	43
Changes in non-controlling interests as a result of change in scope of consolidation		—	—	—	—	—	182	182
Reclassified into retained earnings		—	—	—	2,084	—	—	—
Other increases (decreases)		—	—	—	—	—	0	0
Total transactions with owners		—	—	—	2,084	(41,880)	(2,191)	(44,071)
Balance at December 31, 2017		(17,665)	292	—	1,523,354	2,706,667	80,702	2,787,369

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

[Unaudited Condensed Quarterly Consolidated Statement of Cash Flows]

(Millions of yen)

	Notes	FY2017 Third Quarter (April 1, 2016 - December 31, 2016)	FY2018 Third Quarter (April 1, 2017 - December 31, 2017)
Cash flows from operating activities:			
Profit before income taxes		153,983	178,543
Depreciation and amortization		108,297	122,320
Impairment losses		548	1,917
Interest and dividends income		(62,571)	(66,561)
Interest expenses		6,182	5,814
Share of (profit) loss of investments accounted for by the equity method		(714)	(931)
(Increase) decrease in inventories		(6,268)	(16,548)
(Increase) decrease in trade receivables and other receivables		12,278	790
Increase (decrease) in trade payables and other payables		(18,651)	(36,914)
Others		741	(12,228)
Subtotal		193,824	176,200
Interest and dividends income received		63,127	66,662
Interest expenses paid		(6,258)	(5,525)
Income taxes paid		(83,669)	(17,092)
Net cash provided by (used in) operating activities		167,023	220,244
Cash flows from investing activities:			
Payments for purchases of property, plant and equipment		(116,557)	(143,925)
Proceeds from sales of property, plant and equipment		7,467	8,842
Payments for purchases of investment securities		(30,608)	(17,632)
Proceeds from sales of investment securities		7,542	136
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	5	(2,855)	(171,751)
Payments for loans made		(380)	(390)
Proceeds from collection of loans		488	536
Payments for bank deposits		(251,450)	(166,474)
Proceeds from withdrawals of bank deposits		378,112	221,015
Others		(11,251)	(9,125)
Net cash provided by (used in) investing activities		(19,491)	(278,769)

	Notes	FY2017 Third Quarter (April 1, 2016- December 31, 2016)	FY2018 Third Quarter (April 1, 2017- December 31, 2017)
Cash flows from financing activities:			
Payments for acquisition of subsidiaries' stock not resulting in change in scope of consolidation		(0)	(1,041)
Proceeds from sales of subsidiaries' stock not resulting in change in scope of consolidation		463	70
Net Increase (decrease) in short-term loans payable (within three months)		(7,458)	(31,211)
Proceeds from short-term loans payable (over three months)		28,405	20,595
Repayments of short-term loans payable (over three months)		(98,849)	(25,286)
Proceeds from long-term loans payable		50,880	104,299
Repayments of long-term loans payable		(25,561)	(144,569)
Proceeds from issuance of corporate bonds		19,933	171,230
Repayments of corporate bonds		(20,000)	(10,000)
Payments for repurchase of treasury stock		(18,043)	(7)
Cash dividends paid	6	(37,609)	(41,915)
Cash dividends paid to non-controlling interests		(2,196)	(2,374)
Proceeds from payments by non-controlling interests		2,245	422
Others		31,840	12,054
Net cash provided by (used in) financing activities		(75,949)	52,266
Translation adjustments of cash and cash equivalents		(1,205)	2,231
Net increase (decrease) in cash and cash equivalents		70,378	(4,027)
Cash and cash equivalents at beginning of period		92,399	243,685
Cash and cash equivalents at end of period		162,777	239,658

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

Notes to the Condensed Quarterly Consolidated Financial Statements

1. Nature of Operations

Toyota Industries Corporation (hereinafter, “the Company”) is a company domiciled in Japan. The accompanying condensed quarterly consolidated financial statements comprise the Company and its consolidated subsidiaries (hereinafter, “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.

2. Basis of Presentation

(1) Conformance of Condensed Quarterly Consolidated Financial Statements with IFRS

The condensed quarterly consolidated financial statements, which satisfy all the requirements of “Specified Companies Complying with Designated International Accounting Standards” prescribed in Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Quarterly Consolidated Financial Statements (hereinafter referred to as the “Ordinance on QCFS”), are prepared in conformity with IAS 34 pursuant to the provisions of Article 93 of the Ordinance on QCFS. The condensed quarterly consolidated financial statements, which do not include all information that is required in consolidated financial statements for an annual fiscal year, should be used with the consolidated financial statements for the previous fiscal year.

The condensed quarterly consolidated financial statements have been approved by Akira Onishi, president of the Company, on February 13, 2018.

(2) 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 condensed quarterly consolidated financial statements are presented in Japanese yen, which is the Company’s functional currency, rounded down to the nearest million yen.

(3) Use of Estimates and Judgments

In the preparation of the condensed quarterly consolidated financial statements, management of Toyota Industries is required to make a number of judgments, estimates and assumptions that could have an impact on the application of accounting policies, reported amount 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.

Estimates and judgments that may have a material effect on the amounts recognized in the condensed quarterly consolidated financial statements are the same as those for the previous fiscal year.

(4) Changes in presentation

(Condensed Quarterly Consolidated Statement of Financial Position)

In prior periods “Advances received” were presented in “Other current liabilities” of “Current liabilities”. In the first quarter of the current fiscal year, a change was made and “Advances received” is now presented in “Trade payables and other payables” of “Current liabilities”.

This change was made in order to present the results of sales activities by Toyota Industries in response to the increased amount of advances received related to construction contracts as a result of the consolidation of Bastian Solutions LLC in April 2017 and Vanderlande Industries Holding B.V. in May 2017. To reflect the change in presentation, 8,365 million yen previously presented in “Other current liabilities” of “Current liabilities” in the consolidated statements of financial position for the previous fiscal year has been reclassified into “Trade payables and other payables” of “Current liabilities”.

In addition, “Time deposits with deposit terms of over three months”, which were included in “Other financial assets” of “Current assets”, are now presented separately from the second quarter consolidated accounting period of the fiscal year ended March 31, 2018.

This change is intended to make the presentation clearer and easier to understand for users of the consolidated financial statements. To reflect this change in presentation, 162,668 million yen previously presented in “Other financial assets” of “Current assets” in the consolidated statements of financial position for the previous fiscal year has been reclassified into “Time deposits with deposit terms of over three months” of “Current assets”.

(5) Early Adoption of New Accounting Standards

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

3. Significant Accounting Policies

Significant accounting policies used in the condensed quarterly consolidated financial statements are the same as those for the previous fiscal year.

Corporate income tax expense for the nine-month periods ended December 31, 2017 was computed based on the estimated average annual effective tax rate.

4. Segment Information

In the nine-month period ended December 31, 2017, there was no material change to the method used to identify the reporting segments, the businesses activities carried out by each reporting segment or the measurement standards used to determine segment profits.

(1) Operating segment information
FY2017 Third Quarter (April 1, 2016 - December 31, 2016)

[The nine-month period ended December 31, 2016]

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	414,433	722,096	49,735	43,411	1,229,677	—	1,229,677
Inter-segment transactions	17,969	906	159	16,361	35,396	(35,396)	—
Total	432,403	723,002	49,895	59,773	1,265,073	(35,396)	1,229,677
Segment profit	20,012	65,500	5,722	5,395	96,632	(9)	96,622
Financial income							64,455
Financial expenses							(7,809)
Share of profit (loss) of investments accounted for by the equity method							714
Profit before income taxes							153,983

- (Notes)
1. “Others” represents businesses not included in the reporting segments.
 2. Breakdown of adjustments
(9) million yen included in “Adjustments” for “Segment profit” represents eliminations of inter-segment transactions.
 3. “Segment profit” reconciles to operating profit disclosed in the condensed quarterly consolidated statements of profit or loss.

FY2018 Third Quarter (April 1, 2017 - December 31, 2017)

[The nine-month period ended December 31, 2017]

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	438,608	932,592	48,764	44,721	1,464,686	—	1,464,686
Inter-segment transactions	18,982	1,106	161	17,749	37,998	(37,998)	—
Total	457,590	933,698	48,925	62,470	1,502,685	(37,998)	1,464,686
Segment profit	27,373	77,296	5,379	4,986	115,035	(13)	115,022
Financial income							70,421
Financial expenses							(7,832)
Share of profit (loss) of investments accounted for by the equity method							931
Profit before income taxes							178,543

- (Notes)
1. “Others” represents businesses not included in the reporting segments.
 2. Breakdown of adjustments
(13) million yen included in “Adjustments” for “Segment profit” represents eliminations of inter-segment transactions.
 3. “Segment profit” reconciles to operating profit disclosed in the condensed quarterly consolidated statements of profit or loss.

FY2017 Third Quarter (October 1, 2016 - December 31, 2016)

[The three-month period ended December 31, 2016]

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	139,659	249,820	21,158	14,588	425,227	—	425,227
Inter-segment transactions	6,225	250	55	5,609	12,140	(12,140)	—
Total	145,884	250,070	21,213	20,198	437,368	(12,140)	425,227
Segment profit	7,686	23,055	3,029	1,869	35,640	(15)	35,625
Financial income							31,598
Financial expenses							(1,225)
Share of profit (loss) of investments accounted for by the equity method							380
Profit before income taxes							66,379

- (Notes)
1. “Others” represents businesses not included in the reporting segments.
 2. Breakdown of adjustments
(15) million yen included in “Adjustments” for “Segment profit” represents eliminations of inter-segment transactions.
 3. “Segment profit” reconciles to operating profit disclosed in the condensed quarterly consolidated statements of profit or loss.

[The three-month period ended December 31, 2017]

(Millions of yen)

	Automobile	Materials Handling Equipment	Textile Machinery	Others (Note 1)	Total	Adjustments (Note 2)	Consolidated (Note 3)
Sales							
Outside customer sales	151,544	340,860	18,721	15,623	526,750	—	526,750
Inter-segment transactions	6,925	429	54	6,284	13,694	(13,694)	—
Total	158,470	341,289	18,776	21,907	540,444	(13,694)	526,750
Segment profit	7,911	26,005	2,000	2,105	38,022	(24)	37,997
Financial income							32,490
Financial expenses							(2,603)
Share of profit (loss) of investments accounted for by the equity method							341
Profit before income taxes							68,226

- (Notes)
1. “Others” represents businesses not included in the reporting segments.
 2. Breakdown of adjustments
(24) million yen included in “Adjustments” for “Segment profit” represents eliminations of inter-segment transactions.
 3. “Segment profit” reconciles to operating profit disclosed in the condensed quarterly consolidated statements of profit or loss.

5. Business Combinations

(Business combination through acquisition)

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

1. Outline of business combination

(1) Name and business of acquiree

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

Business activities: Logistics solutions business

(2) Primary reasons for business combination

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

(3) Acquisition date

May 18, 2017

(4) Measure of business combination

Stock acquisition

(5) Name of acquiree after business combination

Vanderlande Industries Holding B.V.

(6) Percentage of voting equity interests acquired

Voting rights ratio of 100% after the acquisition

(7) Primary basis of determination of acquirer

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

2. Acquisition cost and considerations by type

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

Acquisition cost: 144,639 million yen

3. Content and amount of principal acquisition-related costs

Advisory fees and other expenses: 679 million yen

The above amount is included mainly in “Other expenses” of the previous fiscal year’s consolidated statement of profit or loss.

4. Amount and factors of recognition of goodwill

(1) Amount of goodwill recognized

61,518 million yen

The acquisition cost was provisionally allocated to assets acquired and liabilities assumed using the fair value at the date on which Toyota Industries acquired the control. The goodwill amount above is provisional pending valuation assessments over the acquired assets and assumed liabilities.

(2) Factors of recognition of goodwill

Because the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was recorded as goodwill. The goodwill primarily represents excess earning capacity and synergistic effects with the existing businesses. Goodwill is not deductible for tax purposes.

5. Identified assets acquired and liabilities assumed upon business combination

Cash and cash equivalents	6,159	millions of yen
Trade receivables and other receivables	33,188	
Inventories	8,388	
Property, plant and equipment	14,149	
Intangible assets (Note 1)	88,894	
Other assets	9,252	
Total assets (Note 2)	160,032	
Trade payables and other payables	45,932	
Corporate bonds and loans	2,646	
Provisions	2,452	
Deferred tax liabilities	22,223	
Other liabilities	3,640	
Total liabilities	76,896	

- (Notes) 1. Intangible assets mainly consist of customer-related assets. The above figures are provisionally measured amounts.
2. The amount of goodwill, as referred to under “4. (1) Amount of goodwill recognized”, is not included in the assets presented above.

6. Fair value, contractual amount and estimated uncollectible amount of receivables acquired

(Millions of yen)

	Fair value	Contractual amount	Estimated uncollectible amount
Accounts receivable	19,867	20,124	256

7. Net sales and profit attributable to owners of the parent related to the acquiree

Net sales of the acquiree since the acquisition date, which were recorded in the condensed quarterly consolidated statement of profit or loss, were 104,315 million yen before eliminations of inter-company transactions, which mainly arose from construction contracts, and profit attributable to owners of the parent was 1,462 million yen.

Assuming that the business combination had been completed at the beginning of nine-month periods ended December 31, 2017 (April 1, 2017), pro-forma net sales and pro-forma profit attributable to owners of the parent in the condensed quarterly consolidated statement of profit or loss would have been 1,494,190 million yen and 147,036 million yen, respectively. Note that these figures do not take into account the eliminations of inter-company transactions and do not indicate the actual operating results if the business combination had been completed at the beginning of nine-month periods ended December 31, 2017. This pro-forma information is not subject to quarterly review of the independent auditor.

(Business combination through acquisition)

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

1. Outline of business combination

(1) Name and business of acquiree

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

Business activities: Logistics solutions business

(2) Primary reasons for business combination

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

(3) Acquisition date

April 3, 2017

(4) Measure of business combination

Stock acquisition

(5) Name of acquiree after business combination

Bastian Solutions LLC

(6) Percentage of voting equity interests acquired

Voting rights ratio of 100% after the acquisition

(7) Primary basis of determination of acquirer

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

2. Acquisition cost and considerations by type

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

Acquisition cost: 29,648 million yen

3. Content and amount of principal acquisition-related costs

Advisory fees and other expenses: 144 million yen

The above amount is included mainly in "Other expenses" of the previous fiscal year's consolidated statement of profit or loss.

4. Amount and factors of recognition of goodwill

(1) Amount of goodwill recognized

19,477 million yen

The acquisition cost was allocated to assets acquired and liabilities assumed using the fair value at the date on which Toyota Industries acquired control. The goodwill amount above is provisional pending valuation assessments over the acquired assets and assumed liabilities.

(2) Factors of recognition of goodwill

Because the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount is recorded as goodwill. The goodwill primarily represents excess earning capacity and synergistic effects with the existing businesses. Goodwill is not deductible for tax purposes.

5. Identified assets acquired and liabilities assumed upon business combination

Cash and cash equivalents	1,388	millions of yen
Trade receivables and other receivables	4,856	
Property, plant and equipment	496	
Intangible assets (Note 1)	13,908	
Other assets	793	
Total assets (Note 2)	21,445	
Trade payables and other payables	5,880	
Corporate bonds and loans	109	
Deferred tax liabilities	5,285	
Total liabilities	11,274	

- (Notes)
1. Intangible assets mainly consist of customer-related assets. The above figures are provisionally measured amounts.
 2. The amount of goodwill, as referred to under “4. (1) Amount of goodwill recognized”, is not included in the assets presented above.

6. Fair values, contractual amount and estimated uncollectible amount of receivables acquired

(Millions of yen)

	Fair value	Contractual amount	Estimated uncollectible amount
Accounts receivable	3,631	3,642	11

7. Net sales and profit attributable to owners of the parent related to the acquiree

Net sales of the acquiree since the acquisition date, which were recorded in the condensed quarterly consolidated statement of profit or loss, were 20,822 million yen before eliminations of inter-company transactions, which mainly arose from construction contracts. Profit attributable to owners of the parent is omitted due to its immateriality.

Since the acquisition date was carried out on April 3, 2017, pro-forma net sales and pro-forma profit attributable to owners of the parent when assuming that the business combination had been completed at the beginning of nine-month periods ended December 31, 2017 are omitted.

6. Cash Dividends

(1) Dividends paid

FY2017 Third Quarter (April 1, 2016 - December 31, 2016)

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

FY2018 Third Quarter (April 1, 2017 - December 31, 2017)

Resolutions	Class of shares	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 9, 2017	Common stock	20,181	65	March 31, 2017	June 12, 2017
Board of Directors Meeting held on October 31, 2017	Common stock	21,734	70	September 30, 2017	November 27, 2017

(2) Dividends with a record date during the nine-month periods ended December 31, 2016 and 2017 for which the effective date fell after December 31, 2016 and 2017

FY2017 Third Quarter (April 1, 2016 - December 31, 2016)

None

FY2018 Third Quarter (April 1, 2017 - December 31, 2017)

None

7. Other income

In April 2017, the Company changed its defined benefit scheme so that the amount of benefits under the plan will be determined by the number of points acquired. Points are earned by employees based on factors such as the number of years of service and grades. "Other income" in the condensed quarterly consolidated statement of profit or loss for the nine-month periods ended December 31, 2017 included the impact of plan amendment of 14,370 million yen.

8. Income Taxes

With the reduction of the corporate income tax rate due to the U.S. tax reform enacted in December 2017, "Deferred tax assets" decreased by 218 million yen and "Deferred tax liabilities" decreased by 17,127 million yen in the condensed quarterly consolidated statement of financial position as of December 31, 2017, "Income taxes" decreased by 17,304 million yen in the condensed quarterly consolidated statement of profit or loss and "Other comprehensive income" decreased by 431 million yen in the condensed quarterly consolidated statement of comprehensive income for the three-month periods ended December 31, 2017

9. 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)

	FY2017 Third Quarter (April 1, 2016 - December 31, 2016)	FY2018 Third Quarter (April 1, 2017 - December 31, 2017)
Profit attributable to owners of common stock of the parent	113,984	146,166

(Millions of yen)

	FY2017 Third Quarter (October 1, 2016 - December 31, 2016)	FY2018 Third Quarter (October 1, 2017 - December 31, 2017)
Profit attributable to owners of common stock of the parent	49,299	65,286

(ii) Weighted-average number of common stock

(Thousands)

	FY2017 Third Quarter (April 1, 2016 - December 31, 2016)	FY2018 Third Quarter (April 1, 2017 - December 31, 2017)
Weighted-average number of common stock	312,856	310,488

(Thousands)

	FY2017 Third Quarter (October 1, 2016 - December 31, 2016)	FY2018 Third Quarter (October 1, 2017 - December 31, 2017)
Weighted-average number of common stock	310,877	310,487

(2) Basis of calculation for diluted earnings per share

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

10. Financial Instruments

(1) Fair value of financial instruments

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

1) Level 1

The quoted prices of the identical assets or liabilities in active markets (i.e. markets with continuously sufficient trading frequencies and transaction volumes) that Toyota Industries has access to as of the measurement date are used without adjustments.

2) Level 2

The Level 2 inputs include: the published prices of similar assets or liabilities in active markets; the published prices of the identical 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 using the correlation and other methods.

3) Level 3

Because of limited availability of the market data, Toyota Industries uses unobservable inputs that reflect its judgment regarding the assumptions that market participants would use when pricing the assets or liabilities. Toyota Industries calculates inputs based on the best available information, including the data of Toyota Industries itself.

(i) Financial instruments measured at amortized cost

The carrying amount and fair value of financial instruments measured at amortized cost as of March 31, 2017 and December 31, 2017 were as follows:

FY2017 (As of March 31, 2017)

(Millions of yen)

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

FY2018 Third Quarter (As of December 31, 2017)

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets:					
Loans receivable related to the sales financing business (Note)	107,016	—	—	104,086	104,086
Lease investment assets	283,334	—	—	275,251	275,251
Financial liabilities:					
Corporate bonds (Note)	434,474	—	436,767	—	436,767
Long-term borrowings (Note)	553,819	—	554,427	—	554,427
Lease obligations	111,114	—	—	111,203	111,203

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

Short-term financial assets and liabilities measured at amortized cost are not included because the fair value approximates the carrying amount.

The fair value of lease investment assets are measured based on the present value calculated by discounting the total amount of future lease fees using the interest rate expected for a new undertaking of similar lease transactions.

The fair value of loans receivable and loans receivable related to the sales financing business are measured based on the present value calculated by discounting the total amount of principal and interest using the interest rate expected for new undertaking of similar lending transactions.

The fair value of corporate bonds and long-term borrowings are measured based on the present value calculated by discounting the total amount of future principal and interest using the interest rate expected for new undertaking of similar borrowings.

The fair value of lease obligations are measured based on the present value calculated by discounting the total amount of future lease payments using the interest rate expected for new undertaking of similar lease transactions.

(ii) Fair value of financial assets and liabilities measured at fair value on a recurring basis

The fair value hierarchy of financial instruments measured at fair value as of March 31, 2017 and December 31, 2017 was as follows. Financial assets measured at fair value through other comprehensive income included immaterial amount of debt instruments. There was no transfer between different levels.

FY2017 (As of March 31, 2017)

(Millions of yen)

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

FY2018 Third Quarter (As of December 31, 2017)

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss:				
Derivative assets	—	6,232	—	6,232
Others	1,537	—	—	1,537
Financial assets measured at fair value through other comprehensive income	2,537,722	880	103,988	2,642,591
Total	2,539,259	7,112	103,988	2,650,361
Financial liabilities measured at fair value through profit or loss:				
Derivative liabilities	—	3,623	—	3,623
Total	—	3,623	—	3,623

Derivatives contracts include forward exchange contracts, foreign currency option contracts, interest rate swaps and interest rate currency swaps.

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

Fair value of unlisted shares and other equity securities that are measured at fair value through other comprehensive income is determined using the net asset book value method. For shares with a significant balance, fair value is measured using the modified net asset book value method, where adjustments are made to the market price as necessary. The illiquidity discount of 30% is used for an important unobservable input in measuring the fair value of unlisted shares.

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

(Millions of yen)

	FY2017 Third Quarter (April 1, 2016- December 31, 2016)	FY2018 Third Quarter (April 1, 2017- December 31, 2017)
Balance at beginning of period	97,273	94,528
Total gains (losses):	(3,390)	10,152
Other comprehensive income (Note)	(3,390)	10,152
Purchase	576	451
Sales	—	(235)
Others	(100)	(909)
Balance at end of period	94,358	103,988

(Note) Gains and losses included in other comprehensive income related to 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 condensed quarterly consolidated statement of comprehensive income.

11. Related Party Transactions

Toyota Industries has transactions with the following related parties.

(Millions of yen)

	FY2017 Third Quarter (April 1, 2016 - December 31, 2016)	FY2018 Third Quarter (April 1, 2017 - December 31, 2017)
Toyota Motor Corporation and its subsidiaries:		
Sales of goods and provision of services	152,162	169,692
Purchase of parts and receipt of services	14,647	14,119

12. Subsequent Events

There were no material subsequent events to be reported as of February 26, 2018.

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