TOYOTA

Toyota Industries Report 2014

Financial Review for the Year Ended March 31, 2014

TOYOTA INDUSTRIES CORPORATION

Consolidated Eleven-Year Summary

Toyota Industries Corporation
Years ended March 31

	Millions of yen										
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
For The Year											
Net sales	**¥2,007,856**	¥1,615,244	¥1,543,352	¥1,479,839	¥1,377,769	¥1,584,252	¥2,000,536	¥1,878,398	¥1,505,955	¥1,241,538	¥1,164,378
Operating income (loss)	**107,691**	77,098	70,092	68,798	22,002	(6,621)	96,853	89,954	64,040	53,120	52,631
Ordinary income	**138,133**	86,836	80,866	73,911	31,756	14,343	126,488	108,484	80,635	70,912	58,970
Net income (loss)	**91,705**	53,119	58,594	47,205	(26,273)	(32,767)	80,460	59,468	47,077	43,357	33,623
Investment in tangible assets	**¥ 109,479**	¥ 89,459	¥ 58,404	¥ 38,254	¥ 26,963	¥ 104,495	¥ 104,205	¥ 129,023	¥ 130,121	¥ 111,321	¥ 65,651
Depreciation	**64,153**	57,954	59,830	62,372	73,238	87,219	83,744	74,449	64,423	51,277	49,264
Research and development expenses	**46,326**	39,057	32,070	27,788	26,826	33,646	36,750	34,548	31,166	30,051	29,562
Per share of common stock (yen):											
Net income (loss) per share—basic	**¥ 292.76**	¥ 170.36	¥ 188.02	¥ 151.51	¥ (84.33)	¥ (105.16)	¥ 257.50	¥ 189.88	¥ 146.16	¥ 135.09	¥ 108.04
Net income per share—diluted	**292.57**	170.35	—	—	—	—	257.43	189.66	146.02	135.03	101.97
Total net assets per share	**5,640.08**	4,719.66	3,662.26	3,300.17	3,390.02	2,987.16	4,483.32	5,612.11	5,044.45	3,504.80	3,199.69
Cash dividends per share	**85.00**	55.00	50.00	50.00	30.00	40.00	60.00	50.00	38.00	32.00	24.00
At Year-End											
Total assets	**¥3,799,010**	¥3,243,779	¥2,656,984	¥2,481,452	¥2,589,246	¥2,327,432	¥2,965,585	¥3,585,857	¥3,245,341	¥2,326,824	¥2,011,995
Total net assets	**1,829,326**	1,524,933	1,197,841	1,075,939	1,104,929	977,670	1,453,996	1,810,483	1,611,227	1,115,747	1,016,763
Common stock	**80,462**	80,462	80,462	80,462	80,462	80,462	80,462	80,462	80,462	80,462	80,462
Number of shares outstanding (excluding treasury stock) (thousands)	**313,730**	312,207	311,687	311,564	311,570	311,577	311,589	312,075	319,320	318,237	317,666
Cash Flows											
Net cash provided by operating activities	**¥ 155,059**	¥ 151,299	¥ 101,718	¥ 153,661	¥ 203,452	¥ 65,768	¥ 188,805	¥ 177,467	¥ 131,784	¥ 100,095	¥ 92,406
Net cash used in investing activities	**(118,483)**	(274,210)	(9,403)	(187,574)	(36,855)	(114,217)	(138,789)	(164,446)	(205,013)	(128,230)	(92,667)
Net cash provided by (used in) financing activities	**6,183**	7,050	10,279	(85,728)	(38,230)	120,971	(33,992)	(19,749)	85,172	50,020	(56,015)
Cash and cash equivalents at end of year	**226,406**	179,359	296,811	195,566	317,590	188,011	121,284	108,569	112,596	100,535	77,212
Indices											
Return on equity (ROE) (%)	**5.7**	4.1	5.4	4.5	(2.6)	(2.8)	5.1	3.5	3.5	4.1	3.8
Return on assets (ROA) (%)	**2.6**	1.8	2.3	1.9	(1.1)	(1.2)	2.5	1.7	1.7	2.0	1.8
Operating profit margin (%)	**5.4**	4.8	4.5	4.6	1.6	(0.4)	4.8	4.8	4.3	4.3	4.5
Equity ratio (%)	**46.6**	45.4	43.0	41.4	40.8	40.0	47.1	48.8	49.7	48.0	50.5
EBITDA (millions of yen)	**¥ 216,175**	¥ 155,234	¥ 161,876	¥ 150,481	¥ 90,521	¥ 71,608	¥ 222,125	¥ 191,007	¥ 150,674	¥ 128,381	¥ 113,676
Number of employees	**49,333**	47,412	43,516	40,825	38,903	39,916	39,528	36,096	32,977	30,990	27,431

1. Investment in tangible assets and depreciation apply to property, plant and equipment. They do not, however, include materials handling equipment leased under operating leases.
2. Net income (loss) per share is computed based on the average number of shares for each year.
3. ROE and ROA are computed based on the average total net assets and total assets, respectively, for each year. Investment securities are stated at market value.
4. Operating profit margin = Operating income (loss) / Net sales
5. Equity ratio = (Total net assets – Subscription rights to shares – Minority interests) / Total assets
6. EBITDA = Income before income taxes + Interest expenses – Interest and dividends income + Depreciation and amortization

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations are based on information known to management as of June 2014.

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

The fiscal year ended March 31, 2014 is referred to as fiscal 2014 and other fiscal years are referred to in a corresponding manner. All references to the "Company" herein are to Toyota Industries Corporation and references to "Toyota Industries" herein are to the Company and its 215 consolidated subsidiaries.

Results of Operations

Operating Performance

In fiscal 2014, the global economy continued to recover overall, despite slowing growth in emerging countries such as China and Southeast Asia. Thanks to the effect of monetary and fiscal policies, the Japanese economy also began to show signs of an upturn, including higher consumer spending, an increase in production in the private sector, an improvement in employment and higher wages.

In this operating environment, Toyota Industries undertook efforts to ensure customer trust through a dedication to quality as well as to expand sales by responding flexibly to market trends.

As a result, total consolidated net sales amounted to ¥2,007.8 billion, an increase of ¥392.6 billion (24%) from fiscal 2013.

Operating Performance Highlights by Business Segment

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

Automobile

Despite sluggish sales in the Japanese market in the first half of the fiscal year, the Automobile Segment made a turnaround in the second half. Overseas, the global market continued to expand on the back of strong sales in the Chinese and North American markets. Amid such operating conditions, net sales of the Automobile Segment totaled ¥1,006.6 billion, an increase of ¥148.0 billion (17%) from fiscal 2013. Operating income amounted to ¥35.1 billion, an increase of ¥5.7 billion (20%) from fiscal 2013.

Within this segment, net sales of the Vehicle Business amounted to ¥467.0 billion, an increase of ¥110.3 billion (31%). Unit sales of the RAV4 increased while those of the Vitz (Yaris overseas) registered a decrease.

Net sales of the Engine Business totaled ¥202.5 billion, a decrease of ¥14.2 billion (7%). This is attributable primarily to a decrease in sales of KD diesel engines, although sales of AR gasoline engines increased.

Net sales of the Car Air-Conditioning Compressor Business totaled ¥275.7 billion, an increase of ¥47.6 billion (21%), resulting from an increase in sales worldwide.

Net sales of the Electronics Parts, Foundry and Others Business totaled ¥61.2 billion, an increase of ¥4.2 billion (7%).

Materials Handling Equipment

The materials handling equipment market as a whole expanded globally, with the markets in China and North America registering growth, the European market showing a recovery and the Japanese market maintaining solid sales. Amid this operating climate, Toyota Industries strengthened production and sales structures and rolled out new products matched to respective markets. Toyota Industries also expanded its business domain through such subsidiaries as Cascade Corporation, which joined the Toyota Industries Group in March 2013 and engages in manufacture and sales of lift truck attachments. These activities led to an increase in unit sales worldwide, resulting in an increase in net sales of the Materials Handling Equipment Segment of ¥212.8 billion (36%) to ¥809.2 billion. Operating income amounted to ¥58.0 billion, an increase of ¥19.3 billion (50%) from fiscal 2013.

Logistics

Net sales of the Logistics Segment amounted to ¥95.3 billion, an increase of ¥2.3 billion (2%). This is attributable to an increase in sales of the commissioned logistics business and the cargo transport business of automotive-related parts. Operating income amounted to ¥5.1 billion, an increase of ¥0.3 billion (7%) from fiscal 2013.

Textile Machinery

The textile machinery market registered strong sales, as China and India witnessed an upturn in capital expenditure on the back of growing domestic demand. This in turn led to increases in sales of both spinning and weaving machinery for Toyota Industries, and net sales of the Textile Machinery Segment totaled ¥73.1 billion, an increase of ¥33.2 billion (83%). Operating income amounted to ¥5.5 billion, an increase of ¥5.0 billion (855%) from fiscal 2013.

Others

Net sales of the Others Segment totaled ¥23.4 billion, a decrease of ¥3.8 billion (14%) due mainly to the liquidation of TIBC Corporation in January, 2013. Operating income was ¥3.4 billion, an increase of ¥0.1 billion (2%) from fiscal 2013.

Operating Income

Operating income for fiscal 2014 was ¥107.6 billion, an increase of ¥30.6 billion (40%) from fiscal 2013. This was due to an increase in net sales, cost reduction efforts throughout the Group and exchange rate fluctuations despite an increase in labor costs, research and development expenses and depreciation.

Ordinary Income

Ordinary income amounted to ¥138.1 billion, an increase of ¥51.3 billion (59%) from fiscal 2013. This was due mainly to operating income of ¥107.6 billion, an increase of ¥30.6 billion (40%) from fiscal 2013.

Income before Income Taxes and Minority Interests

Income before income taxes and minority interests amounted to ¥138.1 billion, an increase of ¥58.0 billion (72%) from fiscal 2013. This was due mainly to ordinary income of ¥138.1 billion, an increase of ¥51.3 billion (59%) from fiscal 2013.

Net Income

Net income totaled ¥91.7 billion, an increase of ¥38.6 billion (73%) from fiscal 2013. Net income per share was ¥292.76 compared with ¥170.36 in fiscal 2013.

Consolidated Financial Condition

Total assets increased ¥555.3 billion from the end of the previous fiscal year to ¥3,799.0 billion due mainly to an increase in market value of investment securities. Liabilities amounted to ¥1,969.6 billion, an increase of ¥250.8 billion from the end of the previous fiscal year due mainly to an increase in deferred tax liabilities. Net assets amounted to ¥1,829.3 billion, an increase of ¥304.4 billion from the end of the previous fiscal year.

Liquidity and Capital Resources

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

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

Regarding fund management, the Company undertakes integrated fund management of its subsidiaries in Japan, while Toyota Industries North America, Inc. (TINA) and Toyota Industries Finance International AB (TIFI) centrally manage the funds of subsidiaries in North America and Europe, respectively.

Through close cooperation among the Company, TINA and TIFI, we strive for efficient, unified fund management on a global consolidated basis.

Cash Flows

Cash flows from operating activities increased by ¥155.0 billion in fiscal 2014, due mainly to posting income before income taxes and minority interests of ¥138.1 billion. Net cash provided by operating activities increased by ¥3.8 billion compared with an increase of ¥151.2 billion in fiscal 2013.

Cash flows from investing activities resulted in a decrease in cash of ¥118.4 billion in fiscal 2014, attributable primarily to an increase in payments for purchases of property, plant and equipment amounting to ¥131.6 billion. Net cash used in investing activities decreased by ¥155.8 billion compared with a decrease of ¥274.2 billion in fiscal 2013.

Cash flows from financing activities resulted in an increase in cash of ¥6.1 billion in fiscal 2014, due mainly to proceeds from long-term loans payable of ¥128.2 billion, despite repayments of long-term loans payable of ¥60.7 billion and net decrease in short-term loans payable of ¥59.2 billion.

After adding translation adjustments and cash and cash equivalents at beginning of period, cash and cash equivalents as of March 31, 2014 stood at ¥226.4 billion, an increase of ¥47.1 billion (26%) over fiscal 2013.

Investment in Property, Plant and Equipment

During fiscal 2014, Toyota Industries made a total investment of ¥157.3 billion in property, plant and equipment (including vehicles and materials handling equipment for lease) in order to launch new products, streamline and upgrade production equipment.

In the Automobile Segment, investment in property, plant and equipment totaled ¥72.5 billion. A primary breakdown of this amount included ¥20.9 billion for the Company, ¥16.2 billion for Toyota Industries Compressor Parts America, Co., ¥11.0 billion for Michigan Automotive Compressor, Inc., ¥5.1 billion for Toyota Industry (Kunshan) Co., Ltd., ¥4.2 billion for P.T. TD Automotive Compressor Indonesia, ¥4.0 billion for TD Automotive Compressor Georgia, LLC, ¥3.4 billion for TD Deutsche Klimakompressor GmbH, ¥2.2 billion for Tokaiseiki Co., Ltd., ¥1.6 billion for Kirloskar Toyota Textile Machinery Pvt. Ltd. and ¥1.0 billion for IZUMI MACHINE MFG. CO., LTD.

The Materials Handling Equipment Segment made an investment in property, plant and equipment in the total amount of ¥71.1 billion. The primary breakdown comprised ¥2.0 billion for the Company, ¥43.1 billion for Toyota Material Handling Europe AB Group, ¥8.9 billion for Toyota Material Handling Australia Group, ¥3.9 billion for Toyota Industry (Kunshan) Co., Ltd., ¥2.8 billion for Toyota Material Handling Mercosur Indústria e Comércio de Equipamentos Ltda, ¥2.4 billion for Toyota Industrial Equipment Mfg., Inc. and ¥1.6 billion for Cascade Corporation.

Investment in property, plant and equipment in the Logistics Segment totaled ¥8.3 billion, including ¥5.3 billion for Asahi Security Co., Ltd. and ¥2.2 billion for Taikoh Transportation Co., Ltd.

The Textile Machinery Segment made an investment in property, plant and equipment in the total amount of ¥2.2 billion, including ¥1.3 billion for Kirloskar Toyota Textile Machinery Pvt. Ltd.

The Others Segment made an investment in property, plant and equipment in the total amount of ¥3.0 billion, including ¥2.4 billion for the Company.

Necessary funds were provided by a portion of bonds as well as cash on hand and bank loans.

Strategies and Outlook

Outlook for Results for Fiscal 2015

With regard to the future economic outlook, Toyota Industries expects an ongoing recovery of the global economy as well as a full-fledged recovery of the Japanese economy based on new growth strategies unveiled by the government. However, the uncertainties surrounding the business climate preclude optimism as the trend in the Chinese economy requires careful monitoring in addition to the U.S. decision to cut back on quantitative easing and a rise in the consumption tax rate in Japan.

Amid this challenging environment, Toyota Industries will continue to undertake concerted efforts to strengthen its management platform and raise corporate value. As immediate tasks, we will maintain and improve our solid management platform so that we can respond quickly to the changing market circumstances.

Specifically, Toyota Industries will work to incorporate quality and cost from the design phase and shorten the production lead time from development to sales, while promoting cost improvement activities in manufacturing operations. In addition, Toyota Industries will accelerate the development of technologies that overwhelm competitors around the world and plan and develop competitive products matched to the characteristics and needs of each market. Toyota Industries will also strive to establish global production and sales systems and to enhance the value chain to provide a wide range of customer services in each country and region.

As Toyota Industries announced in the Vision 2020 in October 2011, we will pursue the development of environmentally conscious, energy-saving products based on the keywords of the 3Es, which Toyota Industries defines as "energy," "environmental protection" and "ecological thinking," while incorporating functions and services demanded by customers (value chain) and delivering them to the global market. Acting on these measures, we aim for growth in three business units, namely, "solution" in the areas of materials handing equipment, logistics and textile machinery; "key components" in the fields of car air-conditioning compressors and car electronics; and "mobility" in the domains of vehicles and engines. With regards to the Medium-Term Management Plan, we have formulated a specific activity plan for each business unit until fiscal 2016. The entire Toyota Industries Group will make a concerted effort to realize the Vision 2020.

To support such consolidated management on a global scale, Toyota Industries will enhance the power of the workplace and diversity in the use of human resources, and strive to nurture global human resources.

In addition to placing top priority on safety, we will thoroughly enforce compliance, including observance of laws and regulations, and actively participate in social contribution activities. Through these and further measures, Toyota Industries aims to meet the trust of society, raise corporate value and grow in harmony with society.

Dividend Policy

Toyota Industries regards the benefits of shareholders as one of its most important management policies. Based on this stance, Toyota Industries will strive to strengthen its corporate constitution, promote proactive business development and raise its corporate value.

Toyota Industries' dividend policy is to meet the expectations of shareholders for continuous dividends while giving full consideration to business performance, funding requirements, the dividend payout ratio and other factors. Toyota Industries' Ordinary General Meeting of Shareholders, held on June 13, 2014, approved a year-end cash dividend of ¥50.0 per share. Including the interim cash dividend of ¥35.0 per share, cash dividends for the year totaled ¥85.0 per share.

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

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

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

Risk Information

The following represent risks that could have a material impact on Toyota Industries' financial condition, business results and share prices. Toyota Industries judged the following as future risks as of March 31, 2014.

Principal Customers

Toyota Industries' automobile and engine products are sold primarily to Toyota Motor Corporation (TMC). In fiscal 2014, net sales to TMC accounted for 35.5% of consolidated net sales. Therefore, TMC's vehicle sales could have an impact on Toyota Industries' business results. As of March 31, 2014, TMC holds 24.43% of the Company's voting rights.

Product Development Capabilities

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

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

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

Intellectual Property Rights

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

Alliances with Other Companies

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

Product Defects

Guided by the basic philosophy of "offering products and services that are clean, safe and of high quality," Toyota Industries makes its utmost efforts to enhance quality. However, Toyota Industries cannot guarantee all its products will be defect-free and that product recalls will not be made in the future. Product defects that could lead to large-scale recalls and product liability indemnities could result in large cost burdens and have a significant negative impact on the evaluation of Toyota Industries. It could also have an adverse effect on Toyota Industries' financial condition and business results due to a decrease in sales, deterioration of profitability and decrease in share prices of Toyota Industries.

Price Competition

Toyota Industries faces extremely harsh competition in each of the industries in which it conducts business, including its Automobile and Materials Handling Equipment businesses, which are the core of Toyota Industries' earnings foundation. Toyota Industries believes it offers high value-added products that are unrivalled in terms of technology, quality and cost. Amid an environment characterized by intensifying price competition, however, Toyota Industries may be unable to maintain or increase market share against low-cost competitors or to maintain profitability. This could have an adverse impact on Toyota Industries' financial condition and business results.

Reliance on Suppliers of Raw Materials and Components

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

Environmental Regulations

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

Exchange Rate Fluctuations

Toyota Industries' businesses encompass the production and sales of products and the provision of services worldwide. Generally, the strengthening of the yen against other currencies (especially against the U.S. dollar and the euro, which account for a significant portion of Toyota Industries' sales) has an adverse impact on Toyota Industries' business, while a weakening of the yen has a favorable impact. An increase in the value of currencies in countries or regions where Toyota Industries carries out production could lead to an increase in local production, procurement and distribution costs. Such an increase in costs could reduce Toyota Industries' price competitiveness. Additionally, because export sales of several businesses are denominated mainly in yen, exchange rate fluctuations could have an adverse impact on Toyota Industries' financial condition and business results due to a change in market prices.

Share Price Fluctuations

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

Effects of Disasters, Power Blackouts and Other Incidents

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

Latent Risks Associated with International Activities

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

Retirement Benefit Liabilities

Toyota Industries' employee retirement benefit expenses and liabilities are calculated based on expected rates of return on pension assets as well as assumptions upon making actuarial calculations that incorporate discount rates and other factors. Therefore, differences between actual results and assumptions as well as changes in the assumptions could have a significant impact on recognized expenses and calculated liabilities in future accounting periods.

Significant Accounting Policies and Estimates

Toyota Industries' financial statements are prepared in conformity with accounting principles generally accepted in Japan. In preparing financial statements, management must make estimates, judgments and assumptions that affect reported amounts of assets and liabilities at fiscal year-end as well as revenues and expenses during each fiscal year. Among Toyota Industries' significant accounting policies, the following categories require a considerable degree of judgment and estimation and are highly complex.

Allowance for Doubtful Accounts

To prepare for the risk of receivables becoming uncollectible, Toyota Industries estimates its allowance for doubtful accounts by utilizing the percentage of historical experiences in credit losses for ordinary receivables and individually examining the feasibility of collection for receivables that seem to be uncollectible. Evaluating the allowance for doubtful accounts involves judgments made in accordance with the nature of the situation, and this allowance represents an essential and crucial estimate including future estimates of cash flow amounts and timing that could change significantly. Based on currently available information, Toyota Industries' management believes its present allowance for doubtful accounts is sufficient. However, the need to significantly increase allowance for doubtful accounts in the future could have an adverse impact on Toyota Industries' business results.

Allowance for Retirement Benefits

Calculations differ for retirement benefits, retirement benefit expenses and liabilities after employee retirement, as well as benefits for employees on leave of absence, because different assumptions are used at the time of calculation. Assumptions include such factors as discount rates, amount of benefits, interest expenses, expected rates of return on pension assets and mortality rates. The difference in amounts between these assumptions and actual results is calculated cumulatively and amortized over future accounting periods, and thus becomes an expense. Toyota Industries believes its assumptions are reasonable. However, differences between actual results or changes in the assumptions could have an impact on retirement benefits and retirement benefit expenses and liabilities after employee retirement.

Toyota Industries' Relationship to Toyota Motor Corporation

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

Historical Background

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

Capital Relationship

In light of this historical background, Toyota Industries and TMC have maintained a close capital relationship. As of March 31, 2014, Toyota Industries holds 7.05% (223,515 thousand shares) of TMC's total shares in issue. Likewise, as of the same date, TMC holds 24.43% of Toyota Industries' total voting rights. Toyota Industries is a TMC affiliate accounted for by the equity method.

Business Relationship

Toyota Industries assembles certain cars and produces automobile engines under consignment from TMC. Additionally, Toyota Industries sells a portion of its other components and products directly or indirectly to other Toyota Group companies. In fiscal 2014, our net sales to TMC accounted for 35.5% of our consolidated net sales.

Contributions to the Toyota Group

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

Consolidated Balance Sheets

Toyota Industries Corporation
As of March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Assets		
Current assets:		
Cash and deposits (Note 8)	**¥ 226,383**	¥ 230,348
Cash deposits for cash collection and deposit services	**50,765**	49,981
Trade notes and accounts receivable (Note 8)	**246,676**	215,799
Lease investment assets (Note 24)	**50,122**	41,964
Short-term investments	**46,012**	33,047
Merchandise and finished goods (Note 8)	**77,989**	66,670
Work in process	**38,782**	35,088
Raw materials and supplies (Note 8)	**53,470**	40,762
Deferred tax assets (Note 23)	**25,961**	23,836
Other current assets	**59,727**	46,222
Allowance for doubtful accounts	**(3,832)**	(3,204)
Total current assets	**872,058**	780,517
Fixed assets:		
Property, plant and equipment:		
Buildings and structures (Notes 5 and 8)	**395,692**	365,308
Accumulated depreciation	**(238,697)**	(226,436)
Buildings and structures, net	**156,995**	138,871
Machinery, equipment and vehicles (Notes 5 and 8)	**976,511**	864,534
Accumulated depreciation	**(703,217)**	(646,319)
Machinery, equipment and vehicles, net	**273,294**	218,214
Tools, furniture and fixtures (Note 5)	**149,580**	135,525
Accumulated depreciation	**(114,281)**	(105,024)
Tools, furniture and fixtures, net	**35,298**	30,500
Land (Note 8)	**119,107**	118,244
Construction in progress	**41,418**	43,982
Total property, plant and equipment	**626,114**	549,814
Intangible assets:		
Goodwill	**100,814**	122,003
Other intangible assets	**90,068**	46,045
Total intangible assets	**190,882**	168,049
Investments and other assets:		
Investment securities (Notes 7 and 8)	**1,926,353**	1,598,437
Deferred tax assets (Note 23)	**15,285**	12,304
Lease investment assets (Note 24)	**118,849**	93,572
Other investments and other assets (Note 7)	**49,793**	41,231
Allowance for doubtful accounts	**(328)**	(148)
Total investments and other assets	**2,109,954**	1,745,398
Total fixed assets	**2,926,951**	2,463,262
Total assets	**¥3,799,010**	¥3,243,779

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

	Millions of yen	
	2014	2013
Liabilities		
Current liabilities:		
Trade notes and accounts payable	**¥ 196,904**	¥ 180,146
Short-term loans payable (Note 8)	**120,058**	183,920
Commercial paper	**20,524**	30,224
Current portion of bonds (Note 6)	**29,139**	4,499
Lease obligations (Notes 6 and 24)	**47,644**	44,851
Accounts payable—other	**29,138**	17,623
Accrued income taxes	**25,962**	15,958
Deferred tax liabilities (Note 23)	**1,458**	2,923
Allowance for bonuses to directors	**619**	570
Other current obligations (Notes 8 and 10)	**191,903**	178,378
Total current liabilities	**663,353**	659,095
Long-term liabilities:		
Bonds payable (Note 6)	**212,128**	213,584
Long-term loans payable (Notes 6 and 8)	**323,400**	236,318
Lease obligations (Notes 6 and 24)	**122,151**	101,883
Deferred tax liabilities (Note 23)	**567,859**	440,356
Allowance for retirement benefits (Notes 9 and 21)	**—**	52,779
Net defined benefit liabilities (Notes 9 and 21)	**63,854**	—
Other long-term liabilities (Note 10)	**16,936**	14,829
Total long-term liabilities	**1,306,330**	1,059,750
Total liabilities	**1,969,684**	1,718,846
Net Assets		
Shareholders' equity (Note 14)**:**		
Capital stock		
Authorized — 1,100,000,000 shares		
Issued — 325,840,640 shares as of March 31, 2014 325,840,640 shares as of March 31, 2013	**80,462**	80,462
Capital surplus	**105,654**	105,898
Retained earnings	**563,957**	492,578
Treasury stock 12,109,864 shares as of March 31, 2014 13,632,854 shares as of March 31, 2013	**(43,012)**	(48,405)
Total shareholders' equity	**707,062**	630,534
Accumulated other comprehensive income:		
Valuation difference on available-for-sale securities	**1,022,525**	830,054
Deferred gains or losses on hedges	**(139)**	(237)
Foreign currency translation adjustment	**44,649**	13,163
Remeasurements of defined benefit plans	**(4,629)**	—
Total accumulated other comprehensive income	**1,062,404**	842,980
Subscription rights to shares	**330**	1,478
Minority interests	**59,528**	49,939
Total net assets	**1,829,326**	1,524,933
Total liabilities and net assets	**¥3,799,010**	¥3,243,779

Consolidated Statements of Income

Toyota Industries Corporation
For the years ended March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Net sales	**¥2,007,856**	¥1,615,244
Cost of sales (Note 15)	**1,651,573**	1,347,238
Gross profit	**356,282**	268,006
Selling, general and administrative expenses (Notes 15 and 21)**:**		
Sales commissions	**13,832**	12,240
Salaries and allowances	**85,831**	74,452
Retirement benefit expenses	**3,788**	1,739
Depreciation	**11,125**	8,076
Research and development expenses	**39,363**	32,203
Others	**94,647**	62,196
Total selling, general and administrative expenses	**248,590**	190,908
Operating income	**107,691**	77,098
Non-operating income:		
Interest income	**11,205**	9,071
Dividends income	**38,602**	21,084
Gain on sales of marketable securities	**1,106**	784
Equity in net earnings of affiliated companies	**2,294**	825
Other non-operating income	**7,319**	5,277
Total non-operating income	**60,527**	37,043
Non-operating expenses:		
Interest expenses	**16,023**	14,508
Loss on disposal of fixed assets	**1,345**	1,006
Other non-operating expenses	**12,718**	11,789
Total non-operating expenses	**30,086**	27,304
Ordinary income	**138,133**	86,836
Extraordinary losses (Note 16)**:**		
Loss on liquidation of subsidiaries and affiliates	**—**	6,710
Total extraordinary losses	**—**	6,710
Income before income taxes and minority interests	**138,133**	80,126
Income taxes—current (Note 23)	**40,670**	27,345
Income taxes—deferred (Note 23)	**3,263**	(493)
Total income taxes	**43,934**	26,851
Income before minority interests	**94,198**	53,275
Minority interests in income	**2,493**	155
Net income	**¥ 91,705**	¥ 53,119

	Yen	
Net income per share—basic (Note 30)	**¥ 292.76**	¥ 170.36
Net income per share—diluted (Note 30)	**292.57**	170.35
Net assets per share (Note 31)	**5,640.08**	4,719.66
Cash dividends per share	**85.00**	55.00

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

Consolidated Statements of Comprehensive Income

Toyota Industries Corporation
For the years ended March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Income before minority interests	**¥ 94,198**	¥ 53,275
Other comprehensive income:		
Valuation difference on available-for-sale securities (Note 17)	**192,795**	265,277
Deferred gains or losses on hedges (Note 17)	**97**	(106)
Foreign currency translation adjustment (Note 17)	**33,588**	30,444
Share of other comprehensive income of associates accounted for using equity method (Note 17)	**526**	392
Total other comprehensive income	**227,007**	296,008
Comprehensive income	**321,206**	349,283
Profit attributable to:		
Owners of the parent	**315,759**	345,988
Minority interests	**5,447**	3,295

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

Consolidated Statements of Changes in Net Assets

Toyota Industries Corporation
For the year ended March 31, 2014

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2013	¥80,462	¥105,898	¥492,578	¥(48,405)	¥630,534
Changes of items during the period					
Dividends from surplus			(20,326)		(20,326)
Net income			91,705		91,705
Repurchase of treasury stock				(96)	(96)
Disposal of treasury stock		(244)		5,489	5,245
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(244)	71,378	5,393	76,527
Balance at March 31, 2014	¥80,462	¥105,654	¥563,957	¥(43,012)	¥707,062

	Millions of yen							
	Accumulated other comprehensive income					**Subscription rights to shares**	**Minority interests**	**Total net assets**
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2013	¥ 830,054	¥(237)	¥13,163	¥ —	¥ 842,980	¥1,478	¥49,939	¥1,524,933
Changes of items during the period								
Dividends from surplus								(20,326)
Net income								91,705
Repurchase of treasury stock								(96)
Disposal of treasury stock								5,245
Net changes of items other than shareholders' equity	192,470	97	31,485	(4,629)	219,423	(1,147)	9,588	227,865
Total changes of items during the period	192,470	97	31,485	(4,629)	219,423	(1,147)	9,588	304,392
Balance at March 31, 2014	¥1,022,525	¥(139)	¥44,649	¥(4,629)	¥1,062,404	¥ 330	¥59,528	¥1,829,326

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

Toyota Industries Corporation
For the year ended March 31, 2013

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2012	¥80,462	¥106,128	¥455,042	¥(50,266)	¥591,367
Changes of items during the period					
Dividends from surplus			(15,584)		(15,584)
Net income			53,119		53,119
Repurchase of treasury stock				(109)	(109)
Disposal of treasury stock		(230)		1,971	1,741
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(230)	37,535	1,861	39,166
Balance at March 31, 2013	¥80,462	¥105,898	¥492,578	¥(48,405)	¥630,534

	Millions of yen							
	Accumulated other comprehensive income					**Subscription rights to shares**	**Minority interests**	**Total net assets**
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at March 31, 2012	¥565,007	¥(131)	¥(14,763)	¥ —	¥550,112	¥2,310	¥54,051	¥1,197,841
Changes of items during the period								
Dividends from surplus								(15,584)
Net income								53,119
Repurchase of treasury stock								(109)
Disposal of treasury stock								1,741
Net changes of items other than shareholders' equity	265,047	(106)	27,927	—	292,868	(832)	(4,111)	287,924
Total changes of items during the period	265,047	(106)	27,927	—	292,868	(832)	(4,111)	327,091
Balance at March 31, 2013	¥830,054	¥(237)	¥ 13,163	¥ —	¥842,980	¥1,478	¥49,939	¥1,524,933

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

Consolidated Statements of Cash Flows

Toyota Industries Corporation
For the years ended March 31, 2014 and 2013

	Millions of yen	
	2014	2013
Cash flows from operating activities:		
Income before income taxes and minority interests	**¥ 138,133**	¥ 80,126
Depreciation and amortization	**111,826**	90,756
Impairment loss	**—**	4,516
Increase (decrease) in allowance for doubtful accounts	**504**	26
Interest and dividends income	**(49,807)**	(30,156)
Interest expenses	**16,023**	14,508
Equity in net (earnings) losses of affiliates	**(2,294)**	(825)
(Increase) decrease in receivables	**(13,469)**	(475)
(Increase) decrease in inventories	**(15,459)**	(6,041)
Increase (decrease) in payables	**6,305**	2,929
Others, net	**(32,107)**	4,981
Subtotal	**159,655**	160,346
Interest and dividends income received	**49,782**	30,181
Interest expenses paid	**(15,517)**	(14,688)
Income taxes (paid) refunded	**(38,861)**	(24,540)
Net cash provided by operating activities	**155,059**	151,299
Cash flows from investing activities:		
Payments for purchases of property, plant and equipment	**(131,672)**	(112,430)
Proceeds from sales of property, plant and equipment	**12,879**	8,137
Payments for purchases of investment securities	**(32,015)**	(14,679)
Proceeds from sales of investment securities	**2,211**	987
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	**(1,137)**	(68,503)
Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation	**265**	—
Payments for sales of subsidiaries' stock resulting in change in scope of consolidation	**—**	(505)
Payments for loans made	**(867)**	(13)
Proceeds from collections of loans	**640**	275
Net (increase) decrease in time deposits	**38,390**	(64,435)
Others, net	**(7,177)**	(23,043)
Net cash used in investing activities	**(118,483)**	(274,210)
Cash flows from financing activities:		
Increase (decrease) in short-term loans payable	**(59,236)**	51,786
Proceeds from long-term loans payable	**128,203**	45,425
Repayments of long-term loans payable	**(60,721)**	(49,382)
Proceeds from issuance of bonds	**26,660**	30,000
Repayments of bonds	**(4,505)**	(54,125)
Payments for repurchase of treasury stocks	**(96)**	(109)
Cash dividends paid	**(20,326)**	(15,584)
Cash dividends paid to minority shareholders	**(454)**	(435)
Proceeds from payment by minority shareholders	**270**	1,899
Others, net	**(3,609)**	(2,423)
Net cash provided by financing activities	**6,183**	7,050
Translation adjustments of cash and cash equivalents	**4,286**	(1,591)
Net increase (decrease) in cash and cash equivalents	**47,046**	(117,451)
Cash and cash equivalents at beginning of period	**179,359**	296,811
Cash and cash equivalents at end of period	**¥ 226,406**	¥ 179,359

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

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements:

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Toyota Industries Corporation (the "Company") and its consolidated subsidiaries (together, hereinafter referred to as "Toyota Industries") in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

2. Summary of significant accounting policies:

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its 215 subsidiaries (38 subsidiaries in Japan and 177 subsidiaries outside Japan) as of March 31, 2014.

For the year ended March 31, 2014, six subsidiaries were newly added to the scope of consolidation and eight companies were excluded from the scope of consolidation because of liquidation and mergers as a result of reorganization. Changes in the number of consolidated subsidiaries for the year ended March 31, 2014 are listed below.

(increase)
Yantai Shougang TD Automotive Compressor Co., Ltd.
Toyota Industries Electric Systems Europe GmbH
Toyota Material Handling Capital S.A.P.I. de C.V., SOFOM E.N.R.
OOO Toyota Material Handling RUS
Two companies of Uster Technologies AG Group

(decrease)
ALT Logi Co., Ltd.
Three companies of Cascade Corporation Group
Four companies of Toyota Material Handling Europe AB Group

The fiscal years of certain subsidiaries are different from the fiscal year of the Company. Since the difference is not more than three months, the Company is using those subsidiaries' statements for those fiscal years, making adjustments for significant transactions that materially affect the financial position or results of operations.

All significant inter-company transactions, balances and unrealized profits within Toyota Industries have been eliminated.

(2) Equity method

Investments in 12 major affiliates in 2014 are accounted for by the equity method of accounting.

Some of the affiliates are not accounted for under the equity method since their net income/losses, retained earnings and other financial amounts are immaterial.

The fiscal years of certain affiliates are different from the Company. The Company is using those affiliates' statements for those fiscal years.

(3) Translation of foreign currencies

Foreign currency denominated receivables and payables are translated into Japanese yen at the year-end exchange rates and the resulting transaction gains or losses are included in the consolidated statements of income.

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at year-end exchange rates and all revenue and expense accounts are translated at prevailing fiscal average rates.

(4) 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.

(5) Short-term investments and investment securities

Toyota Industries classifies securities into four categories by purpose of holding: trading securities, held-to-maturity securities, other securities and investments in affiliates. Toyota Industries did not have trading securities or held-to-maturity securities as of March 31, 2014.

Other securities with readily determinable fair values are stated at fair value based on market prices at the end of the year. Unrealized gains and losses are included in "Valuation difference on available-for-sale securities" as a separate component of net assets. Cost of sales of such securities is determined by the moving-average method.

Other securities without readily determinable fair values are stated at cost, as determined by the moving-average method.

Investments in affiliates are accounted for by the equity method (see Note 2 (2)).

Investments in affiliates not accounted for by the equity method are stated at cost due to their insignificant effect on the consolidated financial statements.

(6) Inventories

Inventories are stated mainly at cost determined by the moving-average method (the values on the consolidated balance sheets are calculated through the write-down method based on the deterioration of profitability).

(7) Property, plant and equipment, and depreciation (Except for lease assets)

Property, plant and equipment are stated at cost. Depreciation expenses of property, plant and equipment are computed mainly by the declining-balance method for the Company and subsidiaries.

Significant renewals and additions are capitalized at cost. Repairs and maintenance are charged to income as incurred.

(8) Intangible assets and amortization (Except for lease assets)

Amortization of intangible assets is computed using the straight-line method.

(9) Lease assets

The depreciation method of leased properties on finance leases that are deemed to transfer the ownership of the leased properties to lessees is the same as those applied to properties owned by Toyota Industries.

The depreciation method of leased properties on finance leases other than those deemed to transfer the ownership of leased properties to lessees is computed mainly by the straight-line method, which assumes zero residual value and the leasing term to be for the useful life of the asset.

As for the finance leases other than finance leases deemed to transfer the ownership of leased properties to lessees, those that came into effect before March 31, 2008 (inclusive) will continue to be accounted for by the former method (similar to the method applicable to ordinary operating leases).

(10) Method of accounting for deferred assets

As for bond issuance cost, the full amount is treated as expenses at the time of payout.

(11) Allowances for doubtful accounts

Toyota Industries adopted the policy of providing an allowance for doubtful accounts in an amount sufficient to cover possible losses on collection by estimating individually uncollectible amounts and applying to the remaining accounts a percentage determined by certain factors such as historical collection experiences.

(12) Allowance for bonuses to directors and managing officers

Bonuses to directors and managing officers are recorded on the accrual basis.

(13) Allowance for retirement benefits for directors, managing officers and audit & supervisory board members

To provide for the retirement benefits for directors, managing officers and audit & supervisory board members, an amount which is calculated at the end of the year as required by an internal policy describing the retirement benefits for directors, managing officers and audit & supervisory board members is accrued.

(14) Accounting treatment of retirement benefits

(a) Method of attributing expected benefit to periods
The value of accrued benefit obligations is calculated using straight-line attribution.
(b) Treatment of actuarial gains and losses and past service costs
Unrecognized past service costs are amortized by the straight-line method over the remaining average service period of employees. Unrecognized actuarial gain or loss at the end of the prior year is amortized by the straight-line method over the remaining average service period of employees.

(15) Accounting standards for finance lease transactions

As for the accounting standards for finance lease transactions, net sales and cost of sales are recognized when the lease payments are received or when the lease transactions are started.

(16) Hedge accounting

(a) Method of hedge accounting
Mainly the deferral method of hedge accounting is applied. In the case of foreign currency forward contracts and foreign currency option contracts, the hedged items are translated at contracted forward rates if certain conditions are met.

As for the interest rate swap contracts, which meet the requirements of the preferential accounting method, the preferential accounting method is applied.
(b) Hedging instruments and hedged items
Hedging instruments: Derivative instruments (foreign currency forward contracts, foreign currency option contracts, foreign currency swaps and interest rate swaps)
Hedged items: Risk of change in interest rate on borrowings, receivables and payables, forecasted transactions and risk of change in forward exchange rates on transactions denominated in foreign currencies (borrowings, receivables and payables, and forecasted transactions)
(c) Hedging policy
Hedging transactions are executed and controlled based on Toyota Industries' internal policy and Toyota Industries is hedging interest rate risks and foreign currency risks. Toyota Industries' hedging activities are reported periodically to a director responsible for accounting.
(d) Method used to measure hedge effectiveness
Hedge effectiveness is measured by comparing accumulated changes in market prices of hedged items and hedging instruments or accumulated changes in estimated cash flows from the inception of the hedge to the date of measurements performed. Currently it is considered that there are high correlations between them.

(17) Goodwill and amortization

Goodwill, if material, is amortized principally over less than 20 years on a straight-line basis, while immaterial goodwill is charged to gain or loss as incurred.

(18) Consumption tax

The consumption tax under the Japanese Consumption Tax Law withheld by Toyota Industries on sales of goods is not included in the amount of net sales in the accompanying consolidated statements of income, and the consumption tax paid by Toyota Industries under the law on purchases of goods and services and expenses is not included in the related amount.

(19) Income taxes

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

(20) Net income per share

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

3. Changes in accounting policies and accounting estimates:

Accounting Standard for Retirement Benefits

Effective from the end of fiscal 2014, Toyota Industries adopted Financial Accounting Standard No. 26 "Accounting Standard for Retirement Benefits" and its Implementation Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits," both of which were issued on May 17, 2012, except for requirements per Paragraph 35 of the accounting standard and Paragraph 67 of the Guidance, which are effective from the beginning of fiscal 2015. Under the new requirements, Toyota Industries recognized unfunded status (i.e. benefit obligations, less plan assets) as net defined benefit liabilities, including the portion of former unrecognized actuarial gain or loss and prior service cost.

The effect of the accounting change has been presented under the remeasurements of defined benefit plans in accumulated other comprehensive income in accordance with the transitional measures stipulated in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net defined benefit liabilities amounted to ¥63,854 million and accumulated other comprehensive income decreased by ¥4,629 million for the year ended March 31, 2014.

4. Accounting standards issued but not yet effective:

Toyota Industries Corporation and its domestic consolidated subsidiaries have not yet adopted the following accounting standards as of March 31, 2014.

· Paragraph 35 of Financial Accounting Standard No. 26 "Accounting Standard for Retirement Benefits," which was issued on May 17, 2012
· Paragraph 67 of Implementation Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits," which was issued on May 17, 2012

(1) Overview

The accounting standard for retirement benefits was revised in view of improving financial reporting and international trends, mainly focusing on how actuarial gains and losses and prior service costs should be accounted for, how retirement benefit obligations and current service costs should be calculated and the enhancement of disclosures.

(2) Date of adoption

Toyota Industries Corporation and its consolidated subsidiaries in Japan have adopted the revised accounting standard and its guidance from the fiscal year ended March 31, 2014, except for the amendment of the calculation method for defined benefit obligations and service cost, which become effective from the beginning of fiscal year ending March 31, 2015.

(3) Impact of adopting the accounting standards and its guidance

Upon the adoption of the new requirement for calculation of benefit obligations, it is estimated that retained earnings will decrease by ¥3,412 million at the beginning of the fiscal year ending March 31, 2015. The impact on the consolidated statements of income resulting from the change in the calculation method of current service cost is estimated to be immaterial.

5. Property, plant and equipment:

Accumulated impairment losses are included in accumulated depreciation on the consolidated balance sheets.

6. Long-term debt:

(1) Bonds payable as of March 31, 2014 and 2013 consist of the following:

	Millions of yen	
	2014	2013
1.46% bonds due 2014 without collateral	**¥ 20,000**	¥ 20,000
1.66% bonds due 2015 without collateral	**30,000**	30,000
0.40–0.79% medium-term notes due 2014-2015 without collateral	**15,271**	10,087
1.95% bonds due 2016 without collateral	**19,997**	19,996
1.72% bonds due 2018 without collateral	**26,000**	26,000
1.35% medium-term notes due 2014 without collateral	**—**	2,000
2.109% bonds due 2019 without collateral	**50,000**	50,000
1.109% bonds due 2021 without collateral	**30,000**	30,000
0.181% bonds due 2015 without collateral	**10,000**	10,000
0.265% bonds due 2017 without collateral	**10,000**	10,000
0.821% bonds due 2022 without collateral	**10,000**	10,000
0.554% bonds due 2020 without collateral	**10,000**	—
0.797% bonds due 2023 without collateral	**10,000**	—
Total	**¥ 241,268**	¥ 218,083
	(29,139)	

The amount shown in parentheses in total for 2014 is that redeemed within one year.

(2) Annual maturities of bonds payable as of March 31, 2014 are as follows:

	Millions of yen
Year ending March 31	Total
2015	¥ 29,139
2016	46,131
2017	19,997
2018	10,000
2019	76,000
2020 and thereafter	60,000
Total	¥ 241,268

(3) Other debts as of March 31, 2014 and 2013 consist of the following:

	Millions of yen		Weighted-average interest rate (%)
	2014	2013	
Short-term loans payable	¥ 76,648	¥ 125,605	1.22
Long-term loans payable:			
Current portion	43,409	58,314	1.45
Non-current portion	323,400	236,318	1.17
Lease obligations:			
Current portion	47,644	44,851	—
Non-current portion	122,151	101,883	—
Commercial paper	20,524	30,224	1.03
Total	¥ 633,778	¥ 597,197	—

The interest rate is the weighted-average interest rate for the ending balances of those debts. The interest rate of lease obligations is omitted since the amount shown on the consolidated balance sheets does not exclude interest receivable, which is included in total lease payment receivable.

(4) Annual maturities of other debts as of March 31, 2014 are as follows:

	Millions of yen		
Year ending March 31	Long-term loans payable	Lease obligations	Total
2016	¥ 41,112	¥ 41,702	¥ 82,814
2017	36,015	35,170	71,185
2018	76,426	25,885	102,311
2019	112,856	14,838	127,695
2020 and thereafter	56,989	4,554	61,544
Total	¥ 323,400	¥ 122,151	¥ 445,551

7. Investments in affiliated companies:

Investments in affiliated companies as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Investment securities (stock)	¥ 7,901	¥ 7,459
Other investments and other assets (others)	4,636	4,061

8. Assets pledged as collateral:

(1) Assets pledged as collateral as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Investment securities	¥ 122,264	¥ 99,140
Trade notes and accounts receivable	9,681	7,647
Cash and deposits	6,194	4,241
Raw materials and supplies	6,112	5,237
Machinery, equipment and vehicles	4,569	4,651
Merchandise and finished goods	3,187	2,568
Buildings and structures	2,956	2,878
Land	726	817
Other assets	475	476
Total	¥ 156,167	¥ 127,659

(2) Secured liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Other current obligations	¥ 25,751	¥ 24,607
Short-term loans payable	951	1,483
Long-term loans payable	205	391
Total	¥ 26,909	¥ 26,482

9. Allowance for retirement benefits to directors, managing officers and audit & supervisory board members:

Net defined benefit liabilities including the allowance for retirement benefits to directors, managing officers and audit & supervisory board members for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Allowance for retirement benefits to directors, managing officers and audit & supervisory board members	¥ 1,787	¥ 1,953

10. Asset retirement obligations:

The amount of asset retirement obligations as of March 31, 2014 and 2013, which is less than 1% of total liabilities and net assets, is omitted pursuant to Article 92, paragraph (2) of the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements.

11. Contingent liabilities:

Toyota Industries is contingently liable for guarantees as of March 31, 2014 and 2013 as follows:

	Millions of yen	
	2014	2013
Guarantees given by consolidated subsidiaries	¥ —	¥ 1

12. Export discount bills:

Export discount bills as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Export discount bills	¥ 271	¥ 314

13. Treatment of trade notes that matured at the end of the fiscal year:

Trade notes receivable and trade notes payable that matured at the end of the fiscal year (March 31, 2014 and 2013) are as follows:

	Millions of yen	
	2014	2013
Trade notes receivable	**¥ —**	¥ 1,064
Trade notes payable	**—**	604

Those notes were regarded as settled at the date due to the fact that the financial institutions were closed on March 31, 2014.

14. Net assets:

Under the Corporation Law of Japan, amounts equal to at least 10% of the sum of the cash dividends and other external appropriations paid by the Company and its subsidiaries in Japan must be set aside as a legal reserve until it equals 25% of capital stock. The legal reserve may be used to reduce a deficit or may be transferred to capital stock taking appropriate corporate action. In consolidation, the legal reserves of the Company and its subsidiaries in Japan are accounted for as retained earnings. The year-end cash dividend is approved at the Ordinary General Meeting of Shareholders of the Company held after the close of the fiscal year to which the dividend is applicable. In addition, interim cash dividends may be paid upon resolution of the Board of Directors, subject to limitations imposed by the Corporation Law of Japan.

15. Research and development expenses:

Research and development expenses, which are included in selling, general and administrative expenses and manufacturing costs, amounted to ¥46,326 million and ¥39,057 million for the years ended March 31, 2014 and 2013, respectively.

16. Extraordinary losses:

(1) Loss on liquidation of subsidiaries and affiliates

For the year ended March 31, 2013, Toyota Industries recorded extraordinary losses on liquidation of subsidiaries and affiliates of ¥6,710 million, including an impairment loss of ¥4,516 million on buildings and structures as well as machinery, equipment and vehicles as a result of the liquidation of TIBC Corporation, a former consolidated subsidiary, and the estimated amount for the cost of disposal of facilities.

(2) Impairment loss

For the year ended March 31, 2013, Toyota Industries recorded impairment loss of the following assets.
(a) Nature of assets
Manufacturing equipment of semiconductor package substrates
(b) Category of assets
Buildings and structures as well as machinery, equipment and vehicles
(c) Location
Obu-shi, Aichi
(d) Impairment loss
¥4,516 million

The Toyota Industries Group defines asset grouping in accordance with business divisions. The recoverable value of the asset group is computed based on the net value of the sale. Toyota Industries defines the net value of the sale as the amount in which the expected liquidation cost is deducted from the expected liquidation value.

Following the liquidation of TIBC Corporation, the Company reduced the carrying amount of TIBC's asset group to a recoverable level and posted an impairment loss of ¥4,516 million as an extraordinary loss, including ¥3,344 million for buildings and structures, ¥874 million for machinery, equipment and vehicles, ¥141 million for tools, furniture and fixtures, ¥98 million for construction in progress and ¥57 million for software.

17. Comprehensive income:

Recycling and tax effect relating to other comprehensive income as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Valuation difference on available-for-sale securities		
Amount arising during the period	**¥ 296,228**	¥ 407,847
Recycling	**(0)**	(615)
Before tax effect adjustment	**296,228**	407,232
Tax effect	**(103,432)**	(141,955)
Valuation difference on available-for-sale securities	**192,795**	265,277
Deferred gains or losses on hedges		
Amount arising during the period	**147**	(946)
Recycling	**91**	782
Before tax effect adjustment	**239**	(163)
Tax effect	**(141)**	57
Deferred gains or losses on hedges	**97**	(106)
Foreign currency translation adjustment		
Amount arising during the period	**33,586**	30,496
Recycling	**1**	(52)
Foreign currency translation adjustment	**33,588**	30,444
Share of other comprehensive income of associates accounted for using equity method		
Amount arising during the period	**526**	392
Other comprehensive income	**227,007**	296,008

18. Financial instruments:

(1) Matters concerning financial instruments:

(A) Policy for financial instruments
Toyota Industries borrows funds from financial institutions and issues corporate bonds to procure funds to meet its needs for long-term funding. Toyota Industries also borrows funds from financial institutions and issues commercial paper to procure funds to meet its needs for short-term working capital. Toyota Industries manages its cash reserves as highly safe financial assets. The purpose of using derivative instruments is to reduce risk, not to obtain earnings from exchanges or for speculative purposes.
(B) Contents and risk of financial instruments
Cash and deposits are subject to credit risk of financial institutions and foreign currency risk. Cash deposits for cash collection and deposit services are subject to credit risk of financial institutions. Trade notes and accounts receivable are subject to counterparty credit risk and foreign currency risk. Lease investment assets are subject to counterparty credit risk, foreign currency risk and interest rate risk.

Short-term investments and investment securities are subject to market risk and foreign currency risk.

Trade notes and accounts payable include those denominated in foreign currencies and are thus subject to foreign currency risk. All of them are due within one year. Loans payable, commercial paper, bonds payable and lease obligations are subject to foreign currency risk and interest rate risk.

Toyota Industries uses derivative instruments (foreign currency forward contracts, foreign currency option contracts, foreign currency swaps and interest rate swaps) to cover such kinds of risks, and these transactions are subject to credit risk of financial institutions.

With regard to foreign currency risk, Toyota Industries uses derivative instruments (foreign currency forward contracts and foreign currency option contracts) for the amount of foreign currency trade assets (trade notes and accounts receivable) offset by foreign currency trade liabilities (trade notes and accounts payable). Foreign currency swaps and interest rate swaps are used for hedging the foreign currency risk and interest rate risk of loans, bonds and others.

As for hedge accounting, the method, items, policy and evaluation method of measure of effectiveness are referred to in Note 2 "(16) Hedge accounting."

(C) Risk management of financial instruments

a) Management of credit risk (risk of non-execution of contract by counterparty)

In accordance with its treasury policy, Toyota Industries carries out regular monitoring of principal counterparties and strives to quickly ascertain and minimize concerns about collecting credits due to worsening financial and other conditions of counterparties. In using derivatives, to reduce credit risk of financial institutions, Toyota Industries engages in transactions only with those financial institutions that have high credit ratings.

b) Management of market risk (foreign currency risk, interest rate risk, others)

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 uses interest rate swaps to hedge interest rate risk on monetary liabilities. Toyota Industries monitors the financial condition and reviews the valuations of short-term investments and investment securities.

c) Management of financing-related liquidity risk (risk that payments cannot be made on due date)

In accordance with its treasury policy, Toyota Industries manages liquidity risk with cash reserves and commitment lines.

(D) Supplemental explanation of financial instruments

The fair value of financial instruments includes values based on market values as well as rationally calculated values when market values cannot be determined. These calculated values could also conceivably change along with the adoption of different premises.

(2) Matters concerning the fair value of financial instruments:

For the year ended March 31, 2014

The amounts in the consolidated balance sheets, fair values and the differences between those as of March 31, 2014 are as follows. Financial instruments for which ascertaining fair value is extremely difficult are not included in the following chart. Refer to Note 2 regarding these financial instruments.

	Millions of yen		
	Carrying amount*1,*2	Fair value	Difference
Cash and deposits	¥ 226,383	¥ 226,383	¥ —
Cash deposits for cash collection and deposit services	50,765	50,765	—
Trade notes and accounts receivable	242,847	242,846	(1)
Lease investment assets (current assets)	50,122	50,122	—
Short-term investments and investment securities			
Other securities	1,933,925	1,933,925	—
Lease investment assets (fixed assets)	118,849	113,574	(5,275)
Total assets	¥ 2,622,893	¥ 2,617,616	¥ (5,277)
Trade notes and accounts payable	¥ (196,904)	¥ (196,904)	¥ —
Short-term loans payable	(120,058)	(120,058)	—
Commercial paper	(20,524)	(20,524)	—
Current portion of bonds	(29,139)	(29,139)	—
Lease obligations (current liabilities)	(47,644)	(47,644)	—
Bonds payable	(212,128)	(218,425)	(6,296)
Long-term loans payable	(323,400)	(326,476)	(3,076)
Lease obligations (long-term liabilities)	(122,151)	(122,957)	(805)
Total liabilities	¥ (1,071,951)	¥ (1,082,129)	¥ (10,178)
Derivative transactions*3			
Derivative instruments for which hedge accounting is not applied	¥ (464)	¥ (464)	¥ —
Derivative instruments for which hedge accounting is applied	(12)	(12)	—
Total derivative transactions	¥ (476)	¥ (476)	¥ —

*1: Allowance for doubtful accounts is excluded from total assets.
*2: The figures for liabilities are indicated in parentheses.
*3: Stated values are the net amounts of assets and liabilities arising from derivative transactions. Net liabilities are represented in parentheses.

1. Methods for calculating fair value of financial instruments and matters concerning marketable securities and derivatives

(Assets)

(1) Cash and deposits, (2) Cash deposits for cash collection and deposit services

All deposits are short term and fair value approximates the carrying amount. Therefore, fair value for deposits is calculated at the carrying amount.

(3) Trade notes and accounts receivable

These items are categorized into a specified time period, and are stated at present value calculated by the discount rate, which takes into account the respective period.

(4) Lease investment assets (current assets)

Lease investment assets (current assets) are short term and fair value approximates the carrying amount. Therefore, fair value for these items is calculated at the carrying amount.

(5) Short-term investments and investment securities

Other securities refer to stocks, money management funds and negotiable certificates of deposit. Fair value of stocks is calculated based on prices listed on stock exchanges. Fair value of money management funds and negotiable certificates of deposit is calculated at the carrying amount since fair value of these assets approximates the carrying amount. Details regarding other securities are referred to in Note 19 "Marketable securities."

(6) Lease investment assets (fixed assets)

Fair value is calculated by discounting to net present value the total amount of lease receipts using an expected interest rate when newly undertaking the same lease transaction.

(Liabilities)

(1) Trade notes and accounts payable

All notes and accounts payable are short term and fair value approximates the carrying amount. Therefore, fair value for notes and accounts payable is calculated at the carrying amount.

(2) Short-term loans payable, (3) Commercial paper, (4) Current portion of bonds, (5) Lease obligations (current liabilities)

These items payable are short term and fair value approximates the carrying amount. Therefore, fair value for these items is calculated at the carrying amount.

(6) Bonds payable

Fair value is calculated by discounting to net present value the total of principal and interest using expected interest rates when newly borrowing the same amount.

(7) Long-term loans payable

Fair value is calculated by discounting future cash outflow from repayment of principal and interest to net present value using the current interest rate.

Fair value of long-term loans payable with which the interest rate swap transactions are accounted under the preferential accounting method and with which the interest rate and currency swap transactions are accounted under the integral accounting method is calculated by discounting future cash outflow from repayment of principal and interest paid under the interest rate swap transactions to net present value using the current interest rate.

(8) Lease obligations (long-term liabilities)

Fair value is calculated by discounting to net present value the total amount of lease payments using an expected interest rate when newly undertaking the same lease transaction.

(Derivative transactions)

Details regarding derivative transactions are referred to in Note 20 "Derivative instruments."

2. Financial instruments for which ascertaining fair value is extremely difficult

	Millions of yen
	Carrying amount
Non-listed stocks	
Investments in affiliated companies	¥ 7,901
Other securities	30,539
Total	¥ 38,441

Non-listed stocks are not included in "Short-term investments and investment securities" because there are no market prices and ascertaining fair value is extremely difficult.

3. Amounts of projected future redemptions after March 31, 2014 for monetary credits and liabilities as well as marketable securities with maturities

	Millions of yen			
Year ending March 31	2015	2016-2019	2020-2024	2025 and thereafter
Cash and deposits	¥ 226,383	¥ —	¥ —	¥ —
Cash deposits for cash collection and deposit services	50,765	—	—	—
Trade notes and accounts receivable	242,328	518	—	—
Lease investment assets (fixed assets)	—	115,743	3,106	—
Total	¥ 519,476	¥ 116,262	¥ 3,106	¥ —

4. Scheduled repayments of bonds payable, long-term loans payable and lease obligations (long-term liabilities) after the consolidated settlement date

	Millions of yen						
Year ending March 31	2015	2016	2017	2018	2019	2020-2024	2025 and thereafter
Bonds payable	**¥ —**	**¥ 46,131**	**¥ 19,997**	**¥ 10,000**	**¥ 76,000**	**¥ 60,000**	**¥ —**
Long-term loans payable	**—**	**41,112**	**36,015**	**76,426**	**112,856**	**56,989**	**—**
Lease obligations (long-term liabilities)	**—**	**41,702**	**35,170**	**25,885**	**14,838**	**4,403**	**150**
Total	**¥ —**	**¥ 128,946**	**¥ 91,182**	**¥ 112,311**	**¥ 203,695**	**¥ 121,393**	**¥ 150**

For the year ended March 31, 2013

	Millions of yen		
	Carrying amount*1,*2	Fair value	Difference
Cash and deposits	¥ 230,348	¥ 230,348	¥ —
Cash deposits for cash collection and deposit services	49,981	49,981	—
Trade notes and accounts receivable	212,605	212,604	(0)
Lease investment assets (current assets)	41,964	41,964	—
Short-term investments and investment securities			
Other securities	1,592,899	1,592,899	—
Lease investment assets (fixed assets)	93,572	91,195	(2,376)
Total assets	¥ 2,221,372	¥ 2,218,994	¥ (2,377)
Trade notes and accounts payable	¥ (180,146)	¥ (180,146)	¥ —
Short-term loans payable	(183,920)	(183,920)	—
Commercial paper	(30,224)	(30,224)	—
Current portion of bonds	(4,499)	(4,499)	—
Lease obligations (current liabilities)	(44,851)	(44,851)	—
Bonds payable	(213,584)	(225,526)	(11,941)
Long-term loans payable	(236,318)	(245,403)	(9,085)
Lease obligations (long-term liabilities)	(101,883)	(102,645)	(762)
Total liabilities	¥ (995,427)	¥ (1,017,217)	¥ (21,789)
Derivative transactions*3			
Derivative instruments for which hedge accounting is not applied	¥ (470)	¥ (470)	¥ —
Derivative instruments for which hedge accounting is applied	(171)	(171)	—
Total derivative transactions	¥ (641)	¥ (641)	¥ —

*1: Allowance for doubtful accounts is excluded from total assets.
*2: The figures for liabilities are indicated in parentheses.
*3: Stated values are the net amounts of assets and liabilities arising from derivative transactions. Net liabilities are represented in parentheses.

1. Methods for calculating fair value of financial instruments and matters concerning marketable securities and derivatives
(Assets)
(1) Cash and deposits, (2) Cash deposits for cash collection and deposit services
All deposits are short term and fair value approximates the carrying amount. Therefore, fair value for deposits is calculated at the carrying amount.
(3) Trade notes and accounts receivable
These items are categorized into a specified time period, and are stated at present value calculated by the discount rate, which takes into account the respective period.
(4) Lease investment assets (current assets)
Lease investment assets (current assets) are short term and fair value approximates the carrying amount. Therefore, fair value for these items is calculated at the carrying amount.
(5) Short-term investments and investment securities
Other securities refer to stocks, money management funds and negotiable certificates of deposit. Fair value of stocks is calculated based on prices listed on stock exchanges. Fair value of money management funds and negotiable certificates of deposit is calculated at the carrying amount since fair value of these assets approximates the carrying amount. Details regarding other securities are referred to in Note 19 "Marketable securities."
(6) Lease investment assets (fixed assets)
Fair value is calculated by discounting to net present value the total amount of lease receipts using an expected interest rate when newly undertaking the same lease transaction.

(Liabilities)
(1) Trade notes and accounts payable
All notes and accounts payable are short term and fair value approximates the carrying amount. Therefore, fair value for notes and accounts payable is calculated at the carrying amount.
(2) Short-term loans payable, (3) Commercial paper, (4) Current portion of bonds, (5) Lease obligations (current liabilities)
These items payable are short term and fair value approximates the carrying amount. Therefore, fair value for these items is calculated at the carrying amount.
(6) Bonds payable
Fair value is calculated by discounting to net present value the total of principal and interest using expected interest rates when newly borrowing the same amount.
(7) Long-term loans payable
Fair value is calculated by discounting future cash outflow from repayment of principal and interest to net present value using the current interest rate.
Fair value of long-term loans payable with which the interest rate swap transactions are accounted under the preferential accounting method is calculated by discounting future cash outflow from repayment of principal and interest paid under the interest rate swap transactions to net present value using the current interest rate.
(8) Lease obligations (long-term liabilities)
Fair value is calculated by discounting to net present value the total amount of lease payments using an expected interest rate when newly undertaking the same lease transaction.
(Derivative transactions)
Details regarding derivative transactions are referred to in Note 20 "Derivative instruments."

2. Financial instruments for which ascertaining fair value is extremely difficult

	Millions of yen
	Carrying amount
Non-listed stocks	
Investments in affiliated companies	¥ 7,459
Other securities	31,125
Total	¥ 38,585

Non-listed stocks are not included in "Short-term investments and investment securities" because there are no market prices and ascertaining fair value is extremely difficult.

3. Amounts of projected future redemptions after March 31, 2013 for monetary credits and liabilities as well as marketable securities with maturities

	Millions of yen			
Year ending March 31	2014	2015-2018	2019-2023	2024 and thereafter
Cash and deposits	¥ 230,348	¥ —	¥ —	¥ —
Cash deposits for cash collection and deposit services	49,981	—	—	—
Trade notes and accounts receivable	212,189	416	—	—
Lease investment assets (fixed assets)	—	91,331	2,241	—
Total	¥ 492,519	¥ 91,747	¥ 2,241	¥ —

4. Scheduled repayments of bonds payable, long-term loans payable and lease obligations (long-term liabilities) after the consolidated settlement date

	Millions of yen						
Year ending March 31	2014	2015	2016	2017	2018	2019-2023	2024 and thereafter
Bonds payable	¥ —	¥ 21,882	¥ 45,705	¥ 19,996	¥ 10,000	¥ 116,000	¥ —
Long-term loans payable	—	39,552	35,165	30,842	68,640	62,116	—
Lease obligations (long-term liabilities)	—	35,369	28,024	21,549	12,961	3,801	176
Total	¥ —	¥ 96,804	¥ 108,895	¥ 72,388	¥ 91,602	¥ 181,917	¥ 176

19. Marketable securities:

(1) Other securities with readily determinable fair value

As of and for the year ended March 31, 2014

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amount exceeding acquisition cost:			
Stocks	**¥ 310,626**	**¥1,882,659**	**¥1,572,033**
Others	**195**	**232**	**37**
Subtotal	**310,821**	**1,882,892**	**1,572,070**
Securities with carrying amount not exceeding acquisition cost:			
Stocks	**5,156**	**5,019**	**(136)**
Others	**46,012**	**46,012**	**—**
Subtotal	**51,168**	**51,032**	**(136)**
Total	**¥ 361,990**	**¥1,933,925**	**¥1,571,934**

Non-listed stocks (total amount is ¥30,539 million in the consolidated balance sheets) are not included in "Other securities" because there are no market prices and ascertaining fair value is extremely difficult. "Others" above are mainly money management funds and negotiable certificates of deposit.

As of and for the year ended March 31, 2013

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amount exceeding acquisition cost:			
Stocks	¥ 267,301	¥1,545,856	¥1,278,555
Others	124	153	28
Subtotal	267,425	1,546,009	1,278,583
Securities with carrying amount not exceeding acquisition cost:			
Stocks	16,643	13,842	(2,800)
Others	33,047	33,047	—
Subtotal	49,691	46,890	(2,800)
Total	¥ 317,116	¥1,592,899	¥1,275,783

Non-listed stocks (total amount is ¥31,125 million in the consolidated balance sheets) are not included in "Other securities" because there are no market prices and ascertaining fair value is extremely difficult. "Others" above are mainly money management funds and negotiable certificates of deposit.

(2) Other securities sold during the year

As of and for the years ended March 31, 2014 and 2013

Other securities sold are omitted due to their quantitative immateriality.

20. Derivative instruments:

(1) Quantitative disclosure about derivatives for the year ended March 31, 2014

1) Derivative instruments for which hedge accounting is not applied

(a) Foreign currency transactions as of March 31, 2014 are as follows:

Category	Type	Millions of yen			
		Notional amount: Total	Notional amount: Maturity over 1 year	Fair value*2	Net unrealized gain/loss
Transactions other than market transactions	Foreign currency forward contracts transactions				
	Buy JPY / Sell USD	**¥ 232**	**¥ —**	**¥ (10)**	**¥ (10)**
	Buy JPY / Sell EUR	**99**	**—**	**1**	**1**
	Buy JPY / Sell AUD	**63**	**—**	**(3)**	**(3)**
	Buy EUR / Sell JPY	**1,009**	**—**	**5**	**5**
	Buy EUR / Sell other foreign currencies	**1,317**	**—**	**(5)**	**(5)**
	Buy SEK / Sell EUR	**30,114**	**—**	**(281)**	**(281)**
	Buy SEK / Sell GBP	**4,026**	**—**	**(105)**	**(105)**
	Buy SEK / Sell other foreign currencies	**27,162**	**—**	**(107)**	**(107)**
	Sell SEK / Buy EUR	**9,743**	**—**	**68**	**68**
	Sell SEK / Buy GBP	**4,020**	**—**	**41**	**41**
	Sell SEK / Buy other foreign currencies	**8,349**	**—**	**90**	**90**
	Buy other foreign currencies	**1,690**	**—**	**(10)**	**(10)**
	Sell other foreign currencies	**8,327**	**—**	**76**	**76**
	Foreign currency option contracts transactions*1				
	Buy	**2,832** **<45>**	**—**	**4**	**(40)**
	Sell	**2,832** **<45>**	**—**	**46**	**(1)**
	Foreign currency swap transactions				
	Payment JPY / Receipt USD	**995**	**995**	**(135)**	**(135)**
	Total	**¥ 102,819**	**¥ 995**	**¥ (325)**	**¥ (418)**

*1: The amounts indicated in brackets for foreign currency option contracts transactions refer to the option fee, and the related figures for fair value and net unrealized gain/loss are also shown.

*2: The fair value calculation method is based on the index price as of March 31, 2014.

(b) Interest rate transactions as of March 31, 2014 are as follows:

Category	Type	Millions of yen			
		Notional amount: Total	Notional amount: Maturity over 1 year	Fair value	Net unrealized gain/loss
Transactions other than market transactions	Interest rate swap transactions				
	Fixed rate payment / Floating rate receipt	**¥ 66,540**	**¥ 43,705**	**¥ (45)**	**¥ (45)**
	Total	**¥ 66,540**	**¥ 43,705**	**¥ (45)**	**¥ (45)**

The fair value calculation method is based on the index price as of March 31, 2014.

2) Derivative instruments for which hedge accounting is applied

Category	Type	Contents of hedge	Millions of yen: Notional amount: Total	Notional amount: Maturity over 1 year	Fair value	Net unrealized gain/loss	Evaluation method
Deferred hedge method	Foreign currency forward contracts transactions						
	Buy JPY / Sell USD	Accounts receivable	¥ 9,946	¥ —	¥ (59)	¥ (59)	By the exchange rate on foreign currency market
	Buy JPY / Sell EUR		3,985	—	(33)	(33)	
	Buy JPY / Sell AUD		794	—	(26)	(26)	
	Buy SEK / Sell EUR		5,637	—	17	17	
	Buy SEK / Sell GBP		3,254	—	(32)	(32)	
	Buy SEK / Sell other foreign currencies		35,615	—	(267)	(267)	
	Sell JPY / Buy USD		36,310	—	237	237	
	Sell JPY / Buy EUR		355	—	11	11	
	Sell JPY / Buy other foreign currencies		6,686	—	166	166	
	Sell SEK / Buy EUR		1,190	—	17	17	
	Sell SEK / Buy GBP		50	—	1	1	
	Sell SEK / Buy other foreign currencies		80	—	(0)	(0)	
	Buy other foreign currencies		102	—	3	3	
	Foreign currency option contracts transactions*1						
	Buy	Accounts receivable	12,112 <195>	—	98	(96)	By the price on currency option market
	Sell		12,112 <195>	—	145	49	
	Interest rate and currency swap transactions						
	Fixed rate payment / Floating rate receipt	Long-term loans payable	5,000	5,000	0	0	By the rate on interest swap market
	Subtotal		133,236	5,000	279	(12)	
Net valuation method using forward foreign exchange contracts	Foreign currency forward contracts transactions						
	Buy JPY / Sell EUR	Accounts receivable	2,084	—	*2	*2	By the exchange rate on foreign currency market
	Buy JPY / Sell USD		1,804	—			
	Buy JPY / Sell AUD		275	—			
	Sell JPY / Buy EUR		623	—			
	Subtotal		4,787	—	—	—	
Preferential accounting method of interest rate swap transactions	Interest rate swap transactions						
	Fixed rate payment / Floating rate receipt	Long-term loans payable	41,184	31,184	*2	*2	By the rate on interest swap market
	Subtotal		41,184	31,184	—	—	
Integral accounting method of interest rate and currency swap transactions	Interest rate and currency swap transactions						
	Fixed rate payment / Floating rate receipt	Long-term loans payable	65,747	65,747	*2	*2	By the rate on interest swap market
	Subtotal		65,747	65,747	—	—	
	Total		¥244,956	¥101,932	¥ 279	¥ (12)	

*1: The amounts indicated in brackets for foreign currency option contracts transactions refer to the option fee, and the related figures for fair value and net unrealized gain/loss are also shown.
*2: Fair value and net unrealized gain/loss of derivative instruments for which these accounting methods are applied are inclusively reported as a portion of fair value of their hedge instruments such as accounts receivable and long-term loans payable (see Note 18).

(2) Quantitative disclosure about derivatives for the year ended March 31, 2013

1) Derivative instruments for which hedge accounting is not applied

(a) Foreign currency transactions as of March 31, 2013 were as follows:

Category	Type	Millions of yen: Notional amount: Total	Notional amount: Maturity over 1 year	Fair value*2	Net unrealized gain/loss
Transactions other than market transactions	Foreign currency forward contracts transactions				
	Buy JPY / Sell USD	¥ 1,428	¥ —	¥ 10	¥ 10
	Buy JPY / Sell EUR	150	—	(1)	(1)
	Buy JPY / Sell other foreign currencies	1,074	—	(22)	(22)
	Buy EUR / Sell JPY	680	—	(12)	(12)
	Buy SEK / Sell EUR	29,738	—	273	273
	Buy SEK / Sell GBP	2,352	—	91	91
	Buy SEK / Sell other foreign currencies	30,450	—	(442)	(442)
	Sell SEK / Buy EUR	10,152	—	(50)	(50)
	Sell SEK / Buy GBP	1,214	—	1	1
	Sell SEK / Buy other foreign currencies	6,991	—	(40)	(40)
	Buy other foreign currencies	32	—	0	0
	Sell other foreign currencies	9,538	—	(14)	(14)
	Foreign currency option contracts transactions*1				
	Buy	340 <3>	—	0	(3)
	Sell	340 <3>	—	40	(37)
	Foreign currency swap transactions				
	Payment JPY / Receipt USD	3,498	999	44	44
	Total	¥ 97,984	¥ 999	¥ (122)	¥ (203)

*1: The amounts indicated in brackets for foreign currency option contracts transactions refer to the option fee, and the related figures for fair value and net unrealized gain/loss are also shown.
*2: The fair value calculation method is based on the index price as of March 31, 2013.

(b) Interest rate transactions as of March 31, 2013 were as follows:

Category	Type	Millions of yen: Notional amount: Total	Notional amount: Maturity over 1 year	Fair value	Net unrealized gain/loss
Transactions other than market transactions	Interest rate swap transactions				
	Fixed rate payment / Floating rate receipt	¥ 37,190	¥ 25,659	¥ (266)	¥ (266)
	Total	¥ 37,190	¥ 25,659	¥ (266)	¥ (266)

The fair value calculation method is based on the index price as of March 31, 2013.

2) Derivative instruments for which hedge accounting is applied

Millions of yen

Category	Type	Contents of hedge	Notional amount: Total	Notional amount: Maturity over 1 year	Fair value	Net unrealized gain/loss	Evaluation method
Deferred hedge method	Foreign currency forward contracts transactions						
	Buy JPY / Sell USD	Accounts receivable	¥ 11,526	¥ —	¥ (334)	¥ (334)	By the exchange rate on foreign currency market
	Buy JPY / Sell EUR		3,153	—	(94)	(94)	
	Buy JPY / Sell AUD		1,200	—	(73)	(73)	
	Buy SEK / Sell EUR		5,048	—	264	264	
	Buy SEK / Sell GBP		2,891	—	91	91	
	Buy SEK / Sell other foreign currencies		2,882	—	28	28	
	Sell SEK / Buy EUR		397	—	(6)	(6)	
	Sell SEK / Buy GBP		34	—	0	0	
	Sell SEK / Buy other foreign currencies		172	—	(3)	(3)	
	Foreign currency option contracts transactions*1						
	Buy	Accounts receivable	5,093 <96>	—	73	(22)	By the price on currency option market
	Sell		5,093 <96>	—	118	(22)	
	Subtotal		37,495	—	65	(171)	
Net valuation method using forward foreign exchange contracts	Foreign currency forward contracts transactions						By the exchange rate on foreign currency market
	Buy JPY / Sell EUR	Accounts receivable	1,682	—	*2	*2	
	Buy JPY / Sell USD		2,710	—			
	Buy JPY / Sell AUD		489	—			
	Subtotal		4,882	—	—	—	
Preferential accounting method of interest rate swap transactions	Interest rate swap transactions Fixed rate payment / Floating rate receipt	Long-term loans payable	15,000	10,000	*2	*2	By the rate on interest swap market
	Subtotal		15,000	10,000	—	—	
Integral accounting method of interest rate and currency swap transactions	Interest rate and currency swap transactions Fixed rate payment / Floating rate receipt	Long-term loans payable	21,922	21,922	*2	*2	By the rate on interest swap market
	Subtotal		21,922	21,922	—	—	
	Total		¥ 79,300	¥ 31,922	¥ 65	¥ (171)	

*1: The amounts indicated in brackets for foreign currency option contracts transactions refer to the option fee, and the related figures for fair value and net unrealized gain/loss are also shown.

*2: Fair value and net unrealized gain/loss of derivative instruments for which these accounting methods are applied are inclusively reported as a portion of fair value of their hedge instruments such as accounts receivable and long-term loans payable (see Note 18).

21. Retirement benefits:

For the year ended March 31, 2014

(1) Outline of retirement benefit plans:

The Company and its subsidiaries in Japan maintain defined benefit pension plans, lump-sum indemnities plans, welfare pension fund plans and defined contribution pension plans, all of which are retirement benefit plans. Certain foreign subsidiaries maintain defined benefit pension plans. In addition, employee retirement benefits trusts are used for defined benefit plans as plan assets.

The simplified method is used for calculating retirement benefit obligations of certain subsidiaries. Some subsidiaries in Japan apply multiemployer plans.

(2) Defined benefit plan:

1) Reconciliation of defined benefit obligation for the year ended March 31, 2014 is as follows:

	Millions of yen 2014
Benefit obligation at March 31, 2013	¥ 192,990
Service cost	9,456
Interest cost	4,412
Actuarial gain (loss)	(587)
Benefit payments	(5,109)
Prior service cost	29
Others	9,560
Benefit obligation at March 31, 2014	¥ 210,753

2) Reconciliation of plan assets for the year ended March 31, 2014 is as follows:

	Millions of yen 2014
Plan assets at March 31, 2013	¥ 138,547
Expected return on plan assets	3,089
Actuarial gain (loss)	12,441
Employer contributions	12,873
Benefit payments	(3,315)
Others	6,551
Plan assets at March 31, 2014	¥ 170,188

3) Reconciliation of defined benefit obligation, plan assets at March 31, 2014 and amounts recognized on the consolidated balance sheets is as follows:

	Millions of yen 2014
(a) Benefit obligation [funded]	¥ 193,504
(b) Plan assets	(170,188)
(c) Funded status [(a) + (b)]	23,315
(d) Benefit obligation [unfunded]	17,249
(e) Net amount recognized on the consolidated balance sheets [(c) + (d)]	40,565
(f) Net defined benefit liabilities	62,066
(g) Net defined benefit assets	(21,501)
(h) Net amount recognized on the consolidated balance sheets [(f) + (g)]	¥ 40,565

Net defined benefit assets are included in other investments and other assets on the consolidated balance sheets.

4) Components of retirement benefit expenses for the year ended March 31, 2014 are as follows:

	Millions of yen 2014
Service cost	¥ 9,456
Interest cost	4,412
Expected return on plan assets	(3,089)
Amortization of actuarial (gain) loss	1,651
Amortization of prior service cost	(180)
Others	123
Defined benefit expenses	¥ 12,374

5) Amounts recognized in accumulated other comprehensive income (pre-tax) as of March 31, 2014 are as follows:

	Millions of yen 2014
Prior service cost	¥ 3,237
Actuarial gain (loss)	(9,048)
Total	¥ (5,811)

6) Plan assets:

(a) Components of plan assets:

	2014
Bond	**36%**
Stock	**46%**
Cash and deposits	**4%**
Other assets	**14%**
Total	**100%**

Plan assets include 22% of employee retirement benefits trust.

(b) Long-term expected rate of return on plan assets:

In determining the expected long-term rate of return on plan assets, Toyota Industries considers the current and projected asset allocations as well as expected long-term investment returns for each category of the plan assets.

7) Assumptions used for calculation of retirement benefits:

	2014
Discount rate	**1.4%**
Long-term expected rate of return on plan assets	**2.0%**

(3) Defined contribution plan:

The amount recognized as expenses for defined contribution plans was ¥3,725 million for the year ended March 31, 2014.

(4) Multiemployer plan:

Multiemployer plans are accounted for as if they were a defined contribution plan. The amount recognized as expenses for multiemployer plans was ¥769 million for the year ended March 31, 2014.

Information regarding the welfare pension fund under multiemployer plans

As of March 31, 2013	The Japan Society of Industrial Machinery Manufacturers' welfare pension fund	Other welfare pension funds
Plan assets	**¥ 69,155 million**	**¥ 233,891 million**
Estimated benefit obligation	**¥ 98,620 million**	**¥ 303,115 million**
Variance	**¥ (29,465 million)**	**¥ (69,223 million)**

As of March 31, 2014		
Toyota Industries Group contribution to welfare pension plan	**7.39%**	**3.90%**

For the year ended March 31, 2013
(1) Outline of retirement benefit plans:

The Company and its subsidiaries in Japan maintain non-contributory defined benefit pension plans, lump-sum indemnities plans, welfare pension fund plans and defined contribution pension plans, all of which are retirement benefit plans. In addition, certain foreign subsidiaries maintain non-contributory defined benefit pension plans.

(2) Components of allowance for retirement benefits as of March 31, 2013 were as follows:

	Millions of yen 2013
(a) Benefit obligation	¥ (192,990)
(b) Plan assets	138,547
(c) Unfunded benefit obligation [(a) + (b)]	(54,443)
(d) Unrecognized actuarial gains or losses	20,994
(e) Unrecognized loss in prior service obligation	(3,569)
(f) Net amount recognized on the balance sheets [(c) + (d) + (e)]	(37,019)
(g) Prepaid pension expenses	13,806
(h) Allowance for retirement benefits [(f) - (g)]	¥ (50,825)

Certain subsidiaries use the simplified method to determine benefit obligations.
Prepaid pension expenses are included in other investments and other assets.

(3) Components of retirement benefit expenses for the years ended March 31, 2013 were as follows:

	Millions of yen 2013
Service cost	¥ 8,233
Interest cost	4,510
Expected return on plan assets	(3,194)
Amortization of prior service obligation	(134)
Amortization of unrecognized actuarial gains or losses	1,859
Retirement benefit expenses	¥ 11,274

Retirement expenses of subsidiaries which adopted the simplified method are included in service cost.

(4) Assumptions used for calculation of retirement benefits:

	2013
Method of attribution of estimated retirement benefits to periods of employee service: Straight-line method	
Discount rate	1.4%
Expected rate of return on plan assets	2.0%
Amortization period of prior service obligation	20 years—Straight-line method over the average remaining service period of employees from the year incurred
Amortization period of unrecognized actuarial gains or losses	20 years—Straight-line method over the average remaining service period of employees from the following year

(5) Plan assets relating to welfare pension fund under multiemployer pension plan:

Information regarding the welfare pension fund under multiemployer plans

As of March 31, 2012	The Japan Society of Industrial Machinery Manufacturers' welfare pension fund	Other welfare pension funds
Plan assets	¥ 62,064 million	¥ 221,604 million
Estimated benefit obligation	¥ 94,134 million	¥ 314,351 million
Variance	¥ (32,070 million)	¥ (92,746 million)

As of March 31, 2013		
Toyota Industries Group contribution to welfare pension plan	7.15%	3.73%

22. Stock options:

(1) Stock option expenses recorded in the fiscal year and class of options

	Millions of yen 2014	2013
Selling, general and administrative expenses	**¥ —**	¥144

(2) The amount recorded as a profit because of forfeitures of stock option rights

Millions of yen 2014	2013
¥289	¥601

(3) Stock option details, number of stock options and state of fluctuation

1) Stock option details

Fiscal year	2011	2010
Company name	The Company	The Company
Position and number of grantees	Directors: 16 Managing officers and employees: 146	Directors: 14 Managing officers and employees: 153
Class and number of shares*	1,262,000 shares of common stock	1,157,000 shares of common stock
Date of issue	August 2, 2010	August 3, 2009
Condition of settlement of rights	1. Grantee must be employed as a director, managing officer or regular employee of the Company at the time of exercise. However, this does not apply if no more than 18 months have elapsed after retirement or resignation from the Company. 2. Other conditions of exercise shall be decided as prescribed by the Contract for Allotment of Subscription Rights to Shares concluded by the Company and grantee in accordance with resolutions at the General Meeting of Shareholders and resolutions on the issue of subscription rights to shares by the Board of Directors. 3. In the case where grantee becomes no longer applicable to the conditions of exercise, the grantee immediately loses subscription rights to shares and must return the rights to the Company without consideration.	Same as left Same as left Same as left
Periods that grantees must provide service in return for stock options	From August 2, 2010 to July 31, 2012	From August 3, 2009 to July 31, 2011
Periods that stock subscription rights are to be exercised	From August 1, 2012 to July 31, 2016	From August 1, 2011 to July 31, 2015

* Number of options granted by class are listed as number of shares.

Fiscal year	2009	2008
Company name	The Company	The Company
Position and number of grantees	Directors: 17 Managing officers and employees: 159	Directors: 16 Managing officers and employees: 159
Class and number of shares*	1,360,000 shares of common stock	830,000 shares of common stock
Date of issue	August 1, 2008	August 1, 2007
Condition of settlement of rights	1. Grantee must be employed as a director, managing officer or regular employee of the Company at the time of exercise. However, this does not apply if no more than 18 months have elapsed after retirement or resignation from the Company. 2. Other conditions of exercise shall be decided as prescribed by the Contract for Allotment of Subscription Rights to Shares concluded by the Company and grantee in accordance with resolutions at the General Meeting of Shareholders and resolutions on the issue of subscription rights to shares by the Board of Directors. 3. In the case where grantee becomes no longer applicable to the conditions of exercise, the grantee immediately loses subscription rights to shares and must return the rights to the Company without consideration.	Same as left Same as left Same as left
Periods that grantees must provide service in return for stock options	From August 1, 2008 to July 31, 2010	From August 1, 2007 to July 31, 2009
Periods that stock subscription rights are to be exercised	From August 1, 2010 to July 31, 2014	From August 1, 2009 to July 31, 2013

* Number of options granted by class are listed as number of shares.

2) Number of stock options and state of fluctuation

Stock options are those outstanding in the fiscal year and are listed as the number of shares.

(a) Number of stock options

Non-exercisable stock options (shares)

	2011	2010	2009	2008
Stock options outstanding at the end of the previous fiscal year	—	—	—	—
Stock options granted	—	—	—	—
Forfeitures	—	—	—	—
Conversion to exercisable stock options	—	—	—	—
Stock options outstanding at the end of the fiscal year	—	—	—	—

Exercisable stock options (shares)

	2011	2010	2009	2008
Stock options outstanding at the end of the previous fiscal year	622,300	736,700	800,000	420,000
Conversion from non-exercisable stock options	—	—	—	—
Stock options exercised	472,800	511,400	561,200	—
Forfeitures	—	—	7,500	420,000
Stock options outstanding at the end of the fiscal year	149,500	225,300	231,300	—

(b) Price of options

	Exact yen amounts		
	2011	2010	2009
Paid-in value	¥2,449	¥2,570	¥3,410
Average market price of the stock at the time of exercise	4,036	4,076	4,518
Fair value of options on grant date	686	581	421

(4) Method for estimating the number of confirmed stock option rights

Specifically, because of the difficulty in rationally estimating the number of expired rights in the future, a method has been adopted that reflects actual past expirations.

23. Income taxes:

(1) The significant components of deferred tax assets and liabilities as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Deferred tax assets:		
Allowance for retirement benefits	**¥ —**	¥ 13,488
Net defined benefit liabilities	**17,713**	—
Depreciation	**10,825**	10,961
Net operating loss carry-forwards for tax purposes	**9,381**	8,876
Accrued expenses	**7,647**	7,428
Securities	**7,057**	5,539
Trade receivables	**4,167**	3,233
Other	**18,121**	22,215
Subtotal	**74,913**	71,742
Less: valuation allowance	**(15,583)**	(17,719)
Total deferred tax assets	**59,330**	54,023
Deferred tax liabilities:		
Other securities	**548,202**	444,767
Depreciation	**19,576**	6,056
Land	**562**	562
Reserve for advanced depreciation of non-current assets	**371**	376
Reserve for special depreciation	**59**	91
Other	**18,628**	9,307
Total deferred tax liabilities	**587,400**	461,162
Net deferred tax liabilities	**¥ 528,070**	¥ 407,139

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

	Millions of yen	
	2014	2013
Current assets—deferred tax assets	**¥ 25,961**	¥ 23,836
Investments and other assets—deferred tax assets	**15,285**	12,304
Current liabilities—deferred tax liabilities	**1,458**	2,923
Long-term liabilities—deferred tax liabilities	**567,859**	440,356

(2) Reconciliations of differences between the statutory rate of income taxes and the effective rate of income taxes for the years ended March 31, 2014 and 2013 are as follows:

	2014	2013
Statutory rate of income taxes	**37.3%**	The note is omitted since differences between the statutory rate of income taxes and the effective rate of income taxes is less than 5% of the statutory rate of income taxes.
Addition (reduction) in taxes resulting from:		
Valuation allowance	**(1.6%)**	
Dividends income and others permanently not recognized as taxable income	**(5.1%)**	
Other	**1.2%**	
Effective rate of income taxes	**31.8%**	

(3) Impact on changes in the statutory tax rate

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014, resulting in the abolishment of the Special Reconstruction Income Tax from the fiscal year beginning April 1, 2014. Accordingly, for the expected reversal of temporary differences for the fiscal year beginning April 1, 2014, the statutory rate of income taxes used to calculate deferred tax assets and liabilities will be changed from 37.3% to 34.9%.

As a result of this change in the tax rates, deferred tax assets decreased by ¥1,012 million, deferred tax liabilities increased by ¥66 million and income taxes—deferred increased by ¥1,078 million.

24. Leases:

(1) Finance leases

1) Finance leases (as a lessee)

Lease assets are mainly materials handling equipment which is leased under operating leases.

The depreciation method of leased assets is referred to in Note 2 (9).

As for finance leases other than finance leases deemed to transfer the ownership of leased properties to lessees, those that came into effect before March 31, 2008 (inclusive) will continue to be accounted for by the former method (similar to the method applicable to ordinary operating leases).

(a) Pro forma information regarding the leased properties such as acquisition cost and accumulated depreciation, which are not reflected in the accompanying consolidated balance sheets under finance leases as of March 31, 2014 and 2013, is as follows:

	Millions of yen	
	2014	2013
Buildings and structures:		
Acquisition cost equivalents	**¥ 88**	¥ 88
Accumulated depreciation equivalents	**81**	72
Buildings and structures net balance equivalents	**6**	16
Machinery, equipment and vehicles:		
Acquisition cost equivalents	**¥ 5,092**	¥ 5,735
Accumulated depreciation equivalents	**4,794**	4,904
Machinery, equipment and vehicles net balance equivalents	**297**	830
Tools, furniture and fixtures:		
Acquisition cost equivalents	**¥ 398**	¥ 1,063
Accumulated depreciation equivalents	**319**	938
Tools, furniture and fixtures net balance equivalents	**79**	125
Total net leased properties	**¥ 383**	¥ 972

Acquisition cost equivalents include the imputed interest expense portion because the percentage which is computed by dividing future minimum lease payments by the total balance of property, plant and equipment at year-end is immaterial.

(b) Pro forma information regarding future minimum lease payments as of March 31, 2014 and 2013 is as follows:

	Millions of yen	
	2014	2013
Due within one year	**¥ 324**	¥ 728
Due after one year	**346**	653
Total	**¥ 670**	¥ 1,381

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

(c) Total lease payments and pro forma depreciation expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Lease payments	**¥ 588**	¥ 936
Pro forma depreciation expenses	**588**	936

Pro forma depreciation expenses, which are not reflected in the accompanying consolidated statements of income, are computed mainly by the straight-line method, which assumes zero residual value and the leasing term to be the useful life of assets for the years ended March 31, 2014 and 2013, and are equivalent to the amount of total lease payments of the above.

2) Finance leases (as a lessor)

(a) Lease investment assets listed on the consolidated balance sheets as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Lease receivables	**¥ 151,813**	¥ 121,517
Residual value	**37,501**	31,396
Unearned interest income	**(20,343)**	(17,377)
Total	**¥ 168,972**	¥ 135,536

(b) Amounts of projected future recovery after March 31, 2014 and 2013 for the portion of lease payment receivables in lease investment assets are as follows:

	Millions of yen	
	2014	2013
Due within one year	**¥ 51,527**	¥ 42,423
Due after one year and within two years	**41,444**	32,637
Due after two years and within three years	**30,416**	23,914
Due after three years and within four years	**18,813**	14,876
Due after four years and within five years	**7,497**	5,741
Due after five years	**2,114**	1,924
Total	**¥ 151,813**	¥ 121,517

As for finance leases other than finance leases deemed to transfer the ownership of leased properties to lessees, those that came into effect before March 31, 2008 (inclusive) will continue to be accounted for by the former method (similar to the method applicable to ordinary operating leases).

(c) Information regarding leased properties such as acquisition cost and accumulated depreciation under finance leases as of March 31, 2014 and 2013 is as follows:

	Millions of yen	
	2014	2013
Machinery, equipment and vehicles:		
Acquisition cost	**¥ 130**	¥ 3,229
Accumulated depreciation	**118**	3,157
Total net leased property	**¥ 11**	¥ 72

(d) Pro forma information regarding future minimum lease income as of March 31, 2014 and 2013 is as follows:

	Millions of yen	
	2014	2013
Due within one year	**¥ 15**	¥ 81
Due after one year	**4**	3
Total	**¥ 19**	¥ 85

Future minimum lease income under finance leases include the imputed interest income portion because the percentage which is computed by dividing the total of future minimum lease income and estimated residual value by the total of future minimum lease income and estimated residual value and the balance of operating receivables at the year-end is immaterial.

(e) Total lease payments to be received and depreciation expenses for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Total lease payments to be received	**¥ 31**	¥ 125
Depreciation expenses	**¥ 8**	¥ 22

(2) Operating leases

1) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Due within one year	**¥ 11,733**	¥ 9,886
Due after one year	**43,188**	33,681
Total	**¥ 54,921**	¥ 43,568

2) Operating leases (as a lessor)

Pro forma information regarding future minimum rentals under operating leases as of March 31, 2014 and 2013 is as follows:

	Millions of yen	
	2014	2013
Due within one year	**¥ 35,214**	¥ 26,981
Due after one year	**62,784**	48,768
Total	**¥ 97,999**	¥ 75,749

25. Changes in net assets:

(1) Common stock outstanding for the years ended March 31, 2014 and 2013:

	shares
Balance at March 31, 2012	325,840,640
Increase	—
Decrease	—
Balance at March 31, 2013	325,840,640
Increase	**—**
Decrease	**—**
Balance at March 31, 2014	**325,840,640**

(2) Treasury stock outstanding for the years ended March 31, 2014 and 2013:

	shares
Balance at March 31, 2012	14,153,619
Increase due to purchase of odd stock	34,333
Decrease due to exercise of stock options	554,700
Decrease due to sale of odd stock	398
Balance at March 31, 2013	13,632,854
Increase due to purchase of odd stock	**22,738**
Decrease due to exercise of stock options	**1,545,400**
Decrease due to sale of odd stock	**328**
Balance at March 31, 2014	**12,109,864**

(3) Subscription rights to shares outstanding for the years ended March 31, 2014 and 2013:

	Millions of yen	
	2014	2013
The Company	**¥ 330**	¥ 1,478

(4) Dividends

(a) Dividends paid for the year ended March 31, 2014

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 13, 2013	**Common stock**	**¥ 9,366**	**¥30**	**March 31, 2013**	**June 14, 2013**
Board of Directors meeting held on October 31, 2013	**Common stock**	**10,960**	**35**	**September 30, 2013**	**November 26, 2013**

(b) Dividends with a record date in the fiscal year ended March 31, 2014 for which the effective date falls in the following fiscal year

Resolutions	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 13, 2014	**Common stock**	**¥15,686**	**Retained earnings**	**¥50**	**March 31, 2014**	**June 16, 2014**

(c) Dividends paid for the year ended March 31, 2013

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 14, 2012	Common stock	¥7,792	¥25	March 31, 2012	June 15, 2012
Board of Directors meeting held on October 31, 2012	Common stock	7,792	25	September 30, 2012	November 26, 2012

(d) Dividends with a record date in the fiscal year ended March 31, 2013 for which the effective date falls in the following fiscal year

Resolutions	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 13, 2013	Common stock	¥9,366	Retained earnings	¥30	March 31, 2013	June 14, 2013

26. Subsequent events:

There were no subsequent events for the year ended March 31, 2014.

27. Business combination:

Since Toyota Industries acquired the stock of Cascade Corporation just prior to the closing of the fiscal year ended March 31, 2013, the allocation of costs arising from the acquisition had not been finalized at the end of the previous fiscal year. Consequently, Toyota Industries made a provisional settlement of accounts based on the information reasonably available at the closing of the fiscal year ended March 31, 2013. The allocation was finalized in the first quarter of the fiscal year ended March 31, 2014, resulting in ¥32,846 million in other intangible assets in fixed assets and ¥11,267 million in deferred tax liabilities in long-term liabilities.

28. Segment information:

(1) Outline of reporting segments

The operating segments reported below are the segments of Toyota Industries for which separate financial information is available and for which operating income/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, Logistics 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 business environments. The main products and services of each segment are as follows.

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
Logistics	Land transportation services, cash collection and delivery and cash proceeds management services, data storage, management, collection and delivery services
Textile Machinery	Weaving machinery, spinning machinery, instruments for ginning and cotton classing and fabric quality assurance

(2) Calculation method of reporting segment information

The accounting method of reporting segment information is based on “Summary of significant accounting policies.”
Segment income is based on operating income.
Inter-segment sales and transactions are based on arm’s-length price.

(3) Business segments

As of and for the years ended March 31, 2014 and 2013:

	Millions of yen	
	2014	2013
Sales:		
Automobile		
Outside customer sales	**¥1,006,678**	¥ 858,671
Inter-segment transactions	**26,539**	21,842
	1,033,217	880,514
Materials Handling Equipment		
Outside customer sales	**809,276**	596,449
Inter-segment transactions	**647**	566
	809,923	597,015
Logistics		
Outside customer sales	**95,304**	93,018
Inter-segment transactions	**11,110**	8,653
	106,414	101,672
Textile Machinery		
Outside customer sales	**73,102**	39,903
Inter-segment transactions	**185**	181
	73,287	40,085
Others		
Outside customer sales	**23,494**	27,202
Inter-segment transactions	**13,886**	12,265
	37,381	39,467
Subtotal	**2,060,225**	1,658,755
Elimination of inter-segment transactions	**(52,369)**	(43,510)
Total	**¥2,007,856**	¥1,615,244
Segment income:		
Automobile	**¥ 35,175**	¥ 29,411
Materials Handling Equipment	**58,006**	38,746
Logistics	**5,194**	4,834
Textile Machinery	**5,597**	586
Others	**3,422**	3,350
Elimination of inter-segment transactions	**295**	169
Total	**¥ 107,691**	¥ 77,098
Assets:		
Automobile	**¥ 471,833**	¥ 368,329
Materials Handling Equipment	**844,345**	714,958
Logistics	**185,179**	180,465
Textile Machinery	**68,175**	57,224
Others	**135,764**	98,636
Corporate or elimination of inter-segment transactions	**2,093,710**	1,824,166
Total	**¥3,799,010**	¥3,243,779
Depreciation:		
Automobile	**¥ 42,147**	¥ 39,174
Materials Handling Equipment	**48,848**	34,050
Logistics	**8,005**	7,553
Textile Machinery	**2,543**	2,239
Others	**682**	981
Corporate or elimination of inter-segment transactions	**—**	—
Total	**¥ 102,227**	¥ 83,999
Amortization of goodwill:		
Automobile	**¥ 2**	¥ 134
Materials Handling Equipment	**4,133**	2,024
Logistics	**3,309**	3,271
Textile Machinery	**2,153**	1,325
Others	**—**	—
Corporate or elimination of inter-segment transactions	**—**	—
Total	**¥ 9,599**	¥ 6,756

	Millions of yen	
	2014	2013
Investment in equity method company:		
Automobile	**¥ 3,291**	¥ 1,300
Materials Handling Equipment	**6,363**	5,859
Logistics	**—**	—
Textile Machinery	**—**	—
Others	**—**	—
Corporate or elimination of inter-segment transactions	**—**	—
Total	**¥ 9,655**	¥ 7,160
Increase in tangible assets and intangible assets:		
Automobile	**¥ 78,100**	¥ 65,927
Materials Handling Equipment	**76,887**	56,462
Logistics	**9,115**	10,636
Textile Machinery	**2,431**	711
Others	**810**	785
Corporate or elimination of inter-segment transactions	**—**	—
Total	**¥ 167,344**	¥ 134,522

(4) Related information

Geographical segments

As of and for the years ended March 31, 2014 and 2013:

	Millions of yen	
	2014	2013
Sales:		
Japan	**¥1,075,008**	¥ 962,487
U.S.A.	**351,095**	224,572
Others	**581,751**	428,185
Total	**¥2,007,856**	¥1,615,244
Tangible assets:		
Japan	**¥ 328,657**	¥ 332,387
U.S.A.	**121,732**	84,471
Others	**175,723**	132,955
Total	**¥ 626,114**	¥ 549,814
Major customer:		
Sales (Automobile Segment)		
Toyota Motor Corporation	**¥ 713,437**	¥ 621,049
Total	**¥ 713,437**	¥ 621,049
Unamortized goodwill by business segment:		
Automobile	**¥ —**	¥ —
Materials Handling Equipment*	**41,848**	61,434
Logistics	**41,614**	44,925
Textile Machinery	**17,351**	15,644
Others	**—**	—
Corporate or elimination of inter-segment transactions	**—**	—
Total	**¥ 100,814**	¥ 122,003

Impairment loss: For the year ended March 31, 2013, impairment loss of ¥4,516 million on buildings and structures as well as machinery, equipment and vehicles as a result of the liquidation of TIBC Corporation, a former consolidated subsidiary, was recorded in the Others Segment.

Negative goodwill: Negative goodwill is omitted due to its quantitative immateriality.

* Unamortized goodwill in the Materials Handling Equipment Segment at March 31, 2013 includes provisional goodwill in the amount of ¥45,183 million recognized for the acquisition of U.S. subsidiary Cascade Corporation that was calculated using the provisional method permitted under the accounting principles generally accepted in Japan since the acquisition had been completed right before the fiscal year-end and the purchase price allocation had not been completed. This amount in the Materials Handling Equipment Segment at March 31, 2014 decreased by ¥17,813 million compared with the provisional amount at March 31, 2013 due to the adjustment of goodwill after the completion of the purchase price allocation related to the acquisition of the U.S. subsidiary.

29. Related party transactions (non-consolidated basis):

(1) The following transactions were carried out with related parties (entity only):

(a) Sales of goods and services for the years ended March 31, 2014 and 2013 are as follows:

	Millions of yen	
	2014	2013
Toyota Motor Corporation	**¥ 712,705**	¥ 620,322

Toyota Motor Corporation held 24.43% of the Company's voting rights as of March 31, 2014. As for the sales of automobiles and engines, etc., the Company offers prices on such products based on their overall costs and negotiates conditions for each fiscal year, as per conditions on arm's-length transactions. The above transactions are carried out based on commercial terms and conditions. Transaction amounts exclude consumption taxes.

(b) Purchase of goods for the years ended March 31, 2014 and 2013 are as follows:

Purchase of goods:

	Millions of yen	
	2014	2013
Toyota Motor Corporation	**¥ 520,829**	¥ 432,029

As for the purchase of parts of automobiles and engines, etc., the Company negotiates conditions for each fiscal year based on offered prices on such products, as per conditions on arm's-length transactions. The above transactions are carried out based on commercial terms and conditions. Transaction amounts exclude consumption taxes.

(c) Outstanding balances arising from sale/purchase of goods/services as of March 31, 2014 and 2013 are as follows:

Receivables from a related party:

	Millions of yen	
	2014	2013
Toyota Motor Corporation		
Accounts receivable	**¥ 22,223**	¥ 23,774
Trade notes receivable	**7,876**	9,604

Payables to a related party:

	Millions of yen	
	2014	2013
Toyota Motor Corporation	**¥ 45,224**	¥ 52,841

The balance as of March 31, 2014 and 2013 includes consumption taxes.

(2) The following transactions were carried out with related parties (person only):

(a) Exercise of stock options for the year ended March 31, 2014 is as follows:

	Millions of yen
	2014
Tetsuro Toyoda (Chairman of the Company)	**¥ 97**
Kazunori Yoshida (Vice Chairman of the Company)	**102**
Akira Onishi (President of the Company)	**129**
Kazue Sasaki (Executive Vice President of the Company)	**119**
Hirotaka Morishita (Executive Vice President of the Company)	**141**
Shinya Furukawa (Senior Managing Director of the Company)	**51**
Masaharu Suzuki (Senior Managing Director of the Company)	**102**
Toshifumi Ogawa (Senior Managing Director of the Company)	**93**
Masafumi Kato (Director of the Company)	**150**
Toshifumi Onishi (Director of the Company)	**119**
Takaki Ogawa (Director of the Company)	**68**

This transaction refers to the exercise of the subscription rights to shares as stipulated in Articles 236, 238 and 239 of the Corporation Law of Japan. The exercise of the subscription rights to shares has been issued following approval of a special resolution at the Ordinary General Meeting of Shareholders held on June 20, 2008, June 19, 2009 and June 23, 2010.

Exercise of stock options for the year ended March 31, 2013 was as follows:

	Millions of yen
	2013
Akira Imura (Chairman of the Company)	¥ 97
Kazunori Yoshida (Vice Chairman of the Company)	48
Kimpei Mitsuya (Executive Vice President of the Company)	53
Kazue Sasaki (Senior Managing Director of the Company)	73
Shinya Furukawa (Senior Managing Director of the Company)	73
Akira Onishi (Senior Managing Director of the Company)	11
Masaharu Suzuki (Senior Managing Director of the Company)	48
Toshifumi Ogawa (Director of the Company)	25
Toshifumi Onishi (Director of the Company)	48

This transaction refers to the exercise of the subscription rights to shares as stipulated in Articles 236, 238 and 239 of the Corporation Law of Japan. The exercise of the subscription rights to shares has been issued following approval of a special resolution at the Ordinary General Meeting of Shareholders held on June 19, 2009 and June 23, 2010.

30. Net income per share (EPS):

The basis of calculation for net income per share basic and net income per share diluted is as follows:

	Millions of yen	
	2014	2013
Net income per share—basic:		
Net income	**¥ 91,705**	¥ 53,119
Net income not attributable to common shareholders (bonuses for directors and statutory audit & supervisory board members that are paid through appropriation)	**—**	—
Net income attributable to common shareholders	**91,705**	53,119
Weighted-average shares (thousands)	**313,244**	311,810
Net income per share—basic (exact yen amounts)	**¥ 292.76**	¥ 170.36
Net income per share—diluted	**¥ 292.57**	¥ 170.35

31. Net assets per share:

The basis of calculation for net assets per share is as follows:

	Millions of yen	
	2014	2013
Net assets per share:		
Total net assets	**¥1,829,326**	¥1,524,933
Amounts deducted from total net assets		
Subscription rights to shares	**330**	1,478
Minority interests in consolidated subsidiaries	**59,528**	49,939
Net assets applicable to common stock at end of year	**1,769,466**	1,473,515
Outstanding shares of common stock at end of year used for the computation of net assets per share (thousands)	**313,730**	312,207
Net assets per share (exact yen amounts)	**¥ 5,640.08**	¥ 4,719.66

As mentioned in "3. Changes in accounting policies and accounting estimates," Toyota Industries adopted the revised accounting standard for retirement benefits and undertook transitional measures as stipulated in Paragraph 37. As a result, net assets per share decreased by ¥14.76.

32. Cash and cash flows:

(1) Cash and cash equivalents

The relationship between the accounts in the consolidated balance sheets and the remaining balance of cash and cash equivalents as of March 31, 2014 and 2013 is as follows:

	Millions of yen	
	2014	2013
Cash and deposits	**¥ 226,383**	¥ 230,348
Deposits which have a maturity of over three months to one year	**(45,989)**	(84,036)
Short-term investments (securities) which have an original maturity within three months	**46,012**	33,047
Cash and cash equivalents	**¥ 226,406**	¥ 179,359

(2) Payments for acquisition of Cascade Corporation

Regarding the acquisition of Cascade Corporation for the fiscal year ended March 31, 2013, the relationship between amounts of assets and liabilities acquired, acquisition cost and payments for acquisition was as follows:

	Millions of yen
	2013
Current assets	¥ 23,690
Fixed assets	10,071
Goodwill	45,183
Current liabilities	(4,561)
Fixed liabilities	(2,653)
Acquisition cost of Cascade Corporation	71,729
Cash and cash equivalents of Cascade Corporation	(7,310)
Payments for acquisition of Cascade Corporation	¥ 64,419

Since Toyota Industries acquired the stock of Cascade Corporation just prior to the closing of the fiscal year ended March 31, 2013, the allocation of costs arising from the acquisition had not been finalized at the end of the previous fiscal year. Consequently, Toyota Industries made a provisional settlement of accounts based on the information reasonably available at the closing of the fiscal year ended March 31, 2013.

Report of Independent Auditors

pwc

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 balance sheet as at March 31, 2014, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 accounting principles generally accepted in Japan, 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 control 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 statements 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, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

PricewaterhouseCoopers Aarata

July 16, 2014

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