Financial Section

Consolidated Eleven-Year Summary

Toyota Industries Corporation and Consolidated Subsidiaries
Years ended March 31
The figures in this table are unaudited.

	Millions of yen			
	2006	2005	2004	2003
For The Year				
Net sales	**¥1,505,956**	¥1,241,538	¥1,164,379	¥1,069,219
Operating income	**64,040**	53,120	52,631	52,478
Ordinary income	**80,635**	70,913	58,971	51,375
Net income	**47,077**	43,358	33,623	21,934
Overseas sales	**¥ 620,946**	¥ 539,003	¥ 497,357	¥ 451,594
Depreciation and amortization	**87,288**	70,213	65,352	59,154
Capital expenditures	**158,836**	136,506	89,509	87,559
Research and development expenses	**31,166**	30,051	29,562	29,705
Per share of common stock (yen, U.S. dollars):				
Net income — basic	**¥ 146.16**	¥ 135.09	¥ 108.04	¥ 70.19
Net income — diluted	**146.02**	135.03	101.97	62.90
Shareholders' equity	**5,044.45**	3,504.80	3,199.69	2,522.52
Cash dividends	**38.00**	32.00	24.00	22.00
At Year-End				
Total assets	**¥3,245,341**	¥2,326,824	¥2,011,995	¥1,650,391
Shareholders' equity	**1,611,227**	1,115,747	1,016,764	738,868
Common stock	**80,463**	80,463	80,463	68,047
Number of shares outstanding (excluding treasury stock) (thousands)	**319,320**	318,237	317,666	292,777
Cash Flows				
Net cash provided by operating activities	**¥ 131,785**	¥ 100,095	¥ 92,406	¥ 103,183
Net cash used in investing activities	**(205,014)**	(128,231)	(92,668)	(95,121)
Net cash provided by (used in) financing activities	**85,173**	50,021	(56,015)	57,776
Cash and cash equivalents at end of year	**112,597**	100,536	77,212	136,929
Indices				
Return on equity (ROE) (%)	**3.5**	4.1	3.8	2.7
Return on assets (ROA) (%)	**1.7**	2.0	1.8	1.3
Return on sales (ROS) (%)	**3.1**	3.5	2.9	2.1
Debt/equity ratio (%)	**29.4**	34.4	31.6	55.6
Interest coverage (times)	**7.8**	7.7	7.4	6.7
EBITDA (millions of yen, thousands of U.S. dollars)	**¥ 150,674**	¥ 128,381	¥ 113,676	¥ 95,472
Number of employees at year-end	**32,977**	30,990	27,431	25,030

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥117.47 = US$1, the exchange rate on March 31, 2006.
2. Main changes in accounting standards and methods during the above periods are as follows. These changes have not been applied to the financial statements presented prior to each year retroactively.
(1) Effective beginning the year ended March 31, 2005, the new accounting standards for impairment of fixed assets have been applied. Details are described in Notes to Consolidated Financial Statements.
(2) Effective beginning the year ended March 31, 2003, the new accounting standards for net income per share have been applied.
(3) Effective beginning the year ended March 31, 2001, the new accounting standards for retirement benefits, financial instrument and foreign currency transactions have been applied.
(4) Effective beginning the year ended March 31, 2000, Toyota Industries Corporation (the "Company") has used the annual average exchange rate instead of the year-end rate in order to present the operating results more precisely as significance of the overseas consolidated subsidiaries had been increasing and their revenue and expenses were incurred throughout the fiscal years. The Company also has adopted tax effect accounting due to the amendment of the accounting standards for income taxes. Deferred tax assets have been newly recognized in current assets, and investments and other assets. Deferred tax liabilities have been recognized in current and long-term liabilities.

Millions of yen							Thousands of U.S. dollars
2002	2001	2000	1999	1998	1997	1996	**2006**
¥ 980,163	¥ 767,383	¥625,773	¥558,876	¥572,698	¥530,851	¥476,084	**$12,819,920**
46,330	47,304	28,867	24,814	32,729	32,675	19,926	**545,160**
47,866	44,525	27,162	23,172	33,202	31,157	21,560	**686,431**
27,311	22,637	13,686	10,391	20,491	17,931	13,549	**400,758**
¥ 396,470	¥ 298,794	¥191,992	¥178,737	¥150,417	¥116,738	¥119,358	**$ 5,285,996**
55,174	46,454	42,752	34,380	27,958	28,043	27,240	**743,066**
88,320	127,273	44,746	60,468	62,007	35,408	29,629	**1,352,141**
29,985	26,196	24,062	23,231	23,112	19,691	18,770	**265,310**
¥ 87.28	¥ 75.90	¥ 48.32	¥ 36.30	¥ 72.33	¥ 63.55	¥ 48.03	**$ 1.24**
78.26	67.77	43.18	32.62	63.48	55.20	47.13	**1.24**
2,809.54	3,036.77	1,116.62	1,063.05	1,056.81	996.18	947.04	**42.94**
19.00	17.00	16.00	16.00	16.00	16.00	13.00	**0.32**
¥1,770,401	¥1,869,642	¥685,914	¥617,071	¥593,004	¥556,291	¥454,503	**$27,626,977**
878,812	951,298	316,293	301,158	304,097	281,154	267,145	**13,716,072**
68,022	68,019	40,178	40,178	40,133	31,458	31,322	**684,966**
312,796	313,260	283,260	283,296	287,752	282,233	282,083	
¥ 81,078	¥ 78,413	¥ 68,058	¥ 44,133	¥ 50,952	¥ 51,327	N/A	**$ 1,121,861**
(106,711)	(155,871)	(67,187)	(96,222)	(26,897)	(74,968)	N/A	**(1,745,246)**
1,225	94,472	27,500	24,368	(12,918)	69,081	N/A	**725,062**
71,120	95,297	77,332	49,955	74,303	62,322	N/A	**958,517**
3.0	3.6	4.4	3.4	7.0	6.5	5.2	
1.5	1.8	2.1	1.7	3.6	3.6	3.1	
2.8	2.9	2.2	1.9	3.6	3.4	2.8	
35.9	30.7	60.5	51.6	37.5	46.0	20.4	
5.8	9.1	14.5	16.4	17.6	13.0	8.7	
¥ 97,540	¥ 79,921	¥ 64,681	¥ 51,033	¥ 55,212	¥ 55,548	¥ 44,830	**$ 1,282,659**
23,056	21,118	13,132	12,797	11,239	10,738	10,806	

(5) Effective beginning the year ended March 31, 1999, the Company has presented consolidated financial statements as follows: In the consolidated statements of income, enterprise taxes, which had been included in selling, general and administrative expenses up to and including the previous year, have been included in income taxes. Amortization of goodwill, which had been classified as a deductible item from income before income taxes until the previous year, has been included in selling, general and administrative expenses. Equity in earnings/losses of affiliates, which had been added to or deducted from income before income taxes until the previous year, has been included in non-operating income or expenses.

3. Net income per share, ROE and ROA are computed based on the average number of shares, shareholders' equity and total assets, respectively, for each year.

4. Debt/equity ratio = Interest-bearing debt / Shareholders' equity

5. Interest coverage = (Operating income + Interest and dividends income) / Interest expenses

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 is based on information known to management as of June 2006.

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, 2006 is referred to as fiscal 2006 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," "Toyota Industries Group" or the "Group" herein are to the Company and its 153 consolidated subsidiaries.

Result of Operations

Operating Performance

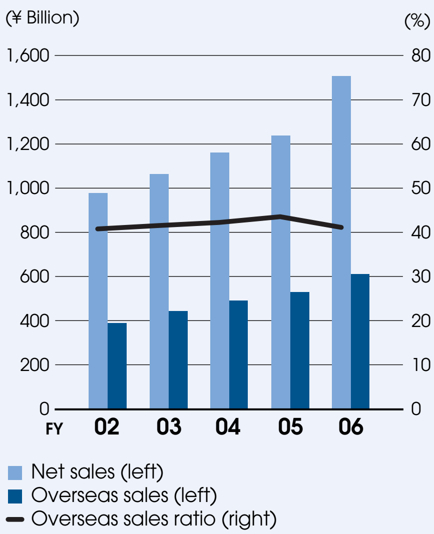
In fiscal 2006, the Japanese economy was on a solid recovery track. Private-sector capital investment increased on the back of improved corporate earnings while consumer spending rose as employment conditions improved. The overall economic outlook was also positive overseas, with an expanding U.S. economy and the European economy maintaining their underlying strengths. In Asia, the Chinese economy continued to grow at a brisk pace.

In this environment, Toyota Industries made efforts to strengthen its corporate structure by attempting to ensure customer trust through its dedication to quality, the development of appealing new products, aggressive sales promotions and execution of a Group-wide program to reduce costs.

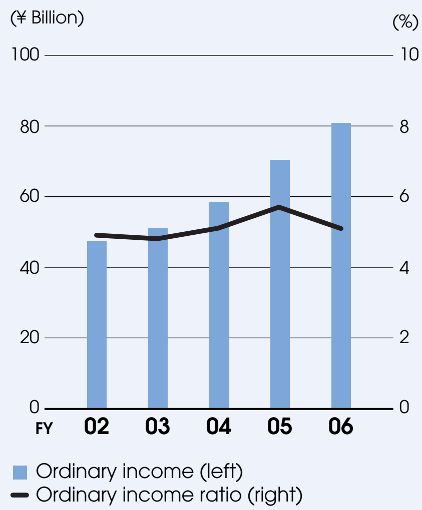
As a result, total consolidated net sales of Toyota Industries amounted to ¥1,506.0 billion, an increase of ¥264.4 billion (21.3%) over fiscal 2005. (For a breakdown of operating results by business segment, refer to Operating Performance Highlights by Business Segment.)

At the profit level, ordinary income amounted to ¥80.6

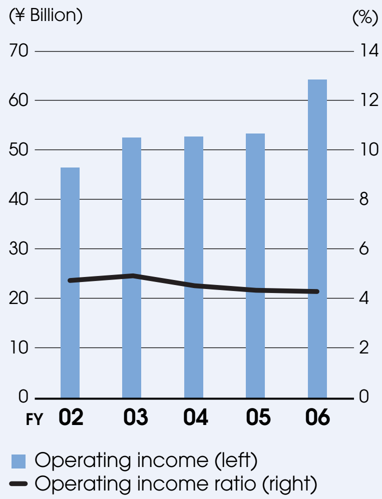
Net Sales, Overseas Sales and Overseas Sales Ratio



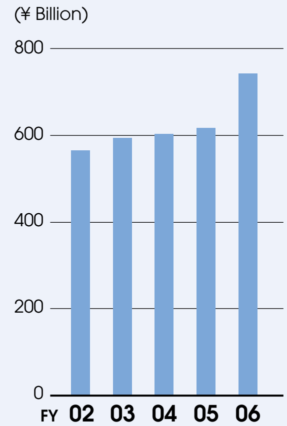
Ordinary Income and Ordinary Income Ratio



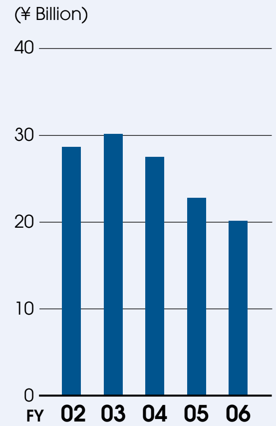
Operating Income and Operating Income Ratio



Net Sales of Automobile Segment



Operating Income of Automobile Segment



billion, an increase of ¥9.7 billion (13.7%) over fiscal 2005. Despite the effects of a steep rise in crude oil and steel prices, as well as increases in depreciation and personnel expenses, this increase was achieved due largely to an expansion in global sales and Group-wide cost-reduction efforts. Net income amounted to ¥47.1 billion, an increase of ¥3.7 billion (8.6%) over fiscal 2005.

Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for fiscal 2006 increased ¥234.7 billion (22.5%) over fiscal 2005 to ¥1,276.5 billion. This increase reflected increases in depreciation expenses, raw materials prices and personnel expenses in addition to an increase in net sales.

Selling, general and administrative expenses increased ¥18.8 billion (12.8%) to ¥165.4 billion, due primarily to increases in personnel, sales promotion and depreciation expenses.

Operating Income

Operating income for fiscal 2006 increased ¥10.9 billion (20.6%) over fiscal 2005 to ¥64.0 billion, attributable mainly to an increase in sales in Japan and overseas as well as Group-wide cost-reduction activities.

Operating Performance Highlights by Business Segment

Below are the operating results by business segment. Net sales for each segment do not include intersegment transactions.

Automobile Segment

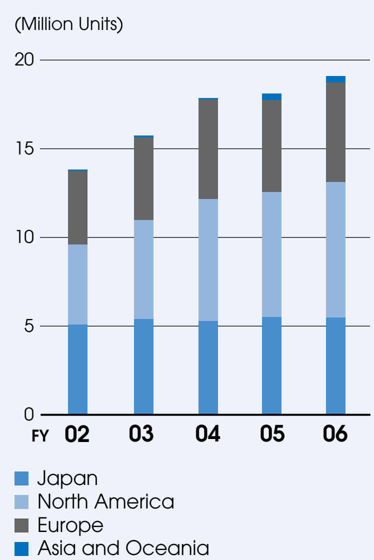
In the automobile industry as a whole, sales in Japan were almost the same as in fiscal 2005. Overseas sales rose over the same period as a result of increases in the Asian and Latin American markets.

Net sales of the Automobile Segment of Toyota Industries totaled ¥746.8 billion, an increase of ¥130.6 billion (21.2%) over fiscal 2005.

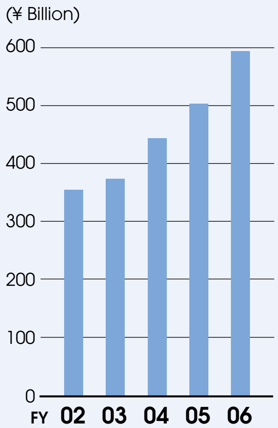
Within this segment, net sales of the Vehicle Business totaled ¥372.1 billion, an increase of ¥93.3 billion (33.4%) over fiscal 2005. Both the Vitz (Yaris outside Japan) and the RAV4, which underwent a full model change, recorded robust sales.

Net sales of the Engine Business totaled ¥132.4 billion, an increase of ¥19.1 billion (16.8%) over fiscal 2005. We proactively augmented our engine production capacity to accommodate an increase in global production of

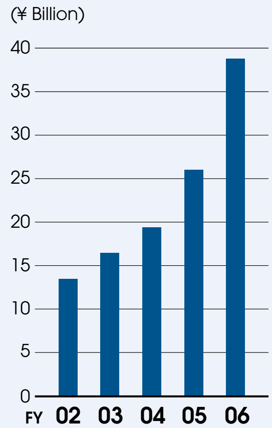
Car Air-Conditioning Compressor Unit Sales



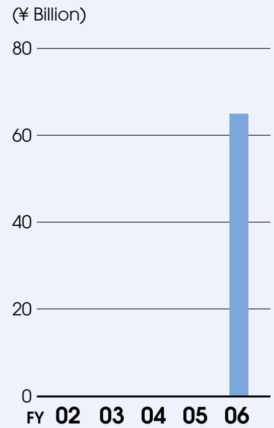
Net Sales of Materials Handling Equipment Segment



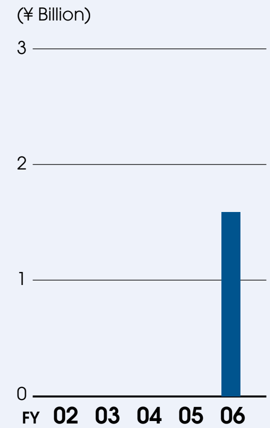
Operating Income of Materials Handling Equipment Segment



Net Sales of Logistics Segment



Operating Income of Logistics Segment



The Logistics Segment was newly created in fiscal 2006.

vehicles by Toyota Motor Corporation (TMC). This measure in turn led to increases in sales of KD diesel engines that started being produced in June 2005 for TMC's Innovative International Multi-Purpose Vehicle (IMV) Project and AD diesel engines fitted in the RAV4 for Europe.

Net sales of the Car Air-Conditioning Compressor Business totaled ¥216.0 billion, an increase of ¥18.0 billion (9.1%) over fiscal 2005. While sales in the domestic market were approximately the same level as for fiscal 2005, overseas sales increased. TD Automotive Compressor Georgia, LLC (TACG), which was established in the U.S. state of Georgia in July 2004, started production of variable-displacement compressors in December 2005. TD Automotive Compressor Kunshan, Co., Ltd., which was established in China in May 2005, also commenced production of car air-conditioning compressors in April 2006.

Materials Handling Equipment Segment

In the materials handling equipment industry as a whole, unit sales increased substantially over fiscal 2005. Demand was strong in the Japanese and overseas markets amid a sustained global economic recovery. Within this environment, Toyota Industries strengthened its sales network globally, while promoting vigorous sales promotion activities targeting major clients.

Net sales of the Materials Handling Equipment Segment of Toyota Industries totaled ¥595.2 billion, an increase of ¥91.2 billion (18.1%) over fiscal 2005. In Japan, unit sales of TOYOTA-brand electric counterbalanced lift trucks increased significantly in line with a heightened environmental awareness among domestic companies. As a result, we achieved a 43.4% share in the Japanese lift truck market during January to December 2005, marking the 40th consecutive year that we maintained a top position in the domestic lift truck industry. Globally, we sold a record 112,000 TOYOTA-brand lift trucks, an increase of 11% over the same period in 2004.

The BT brand posted a strong increase in sales of reach trucks, low-level order picking trucks and other warehouse trucks. Aichi Corporation, one of our subsidiaries and a major manufacturer of aerial work platforms, recorded a substantial increase in sales over fiscal 2005 on the back of strong replacement demand from electricity companies and the telecommunications industry.

In July 2005, we established the Toyota Material Handling Group to further strengthen cooperation and maximize synergies between TOYOTA and BT brands. Under this new framework, we aim to consolidate our Materials Handling Equipment Business in Europe, North America and Japan to enhance our global market share.

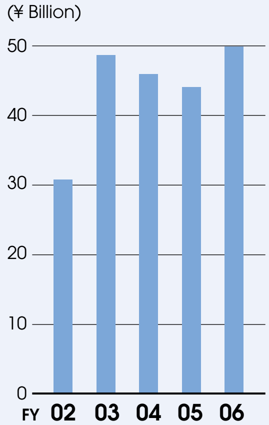
Logistics Segment

Toyota Industries has entered into the logistics solutions business to reduce customers' logistics costs through optimized logistics processes. Net sales of the Logistics Segment amounted to ¥65.1 billion in fiscal 2006, due largely to the solid performance of the transportation business and the contribution made by Asahi Securities Co., Ltd., which is engaged in comprehensive cash management outsourcing services such as cash collection and delivery as well as cash proceeds management. In January 2006, we acquired the capital stock of Wanbishi Archives Co., Ltd. to further expand our business domain.

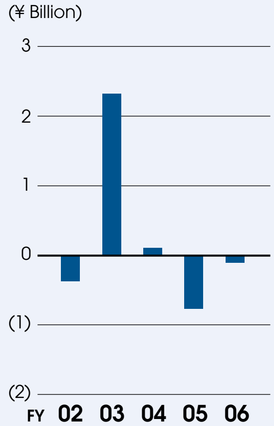
Textile Machinery Segment

In the textile machinery industry as a whole, the mainstay Chinese market remained strong on the back of robust demand for capital investment, despite the Chinese government's monetary-tightening measures and the

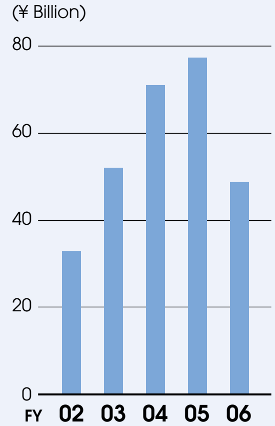
Net Sales of Textile Machinery Segment



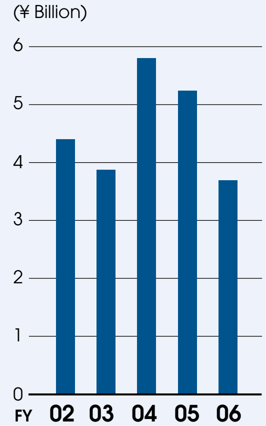
Operating Income (Loss) of Textile Machinery Segment



Net Sales of Others Segment



Operating Income of Others Segment
(Including Elimination of Intersegment Transactions)



safeguards exercised by Europe and the United States to contain Chinese garment imports.

Net sales of the Textile Machinery Segment of Toyota Industries totaled ¥49.8 billion, an increase of ¥5.9 billion (13.4%) from fiscal 2005, due largely to an increase in sales of air-jet looms to China and India as well as strong sales of spinning machinery.

Others Segment

Because we separated our logistics-related businesses from the Others Segment into the Logistics Segment, net comparisons with the previous year's results cannot be made. Net sales of the Others Segment for fiscal 2006 amounted to ¥49.0 billion.

TIBC Corporation (TIBC), a joint venture with Ibiden Co., Ltd. that manufactures and sells ball grid array plastic package substrates, underwent strong demand for plastic package substrates for personal computers.

Sales by Geographical Segment

Below are Toyota Industries' operating results by geographical segment. Net sales for each geographical segment do not include intersegment transactions.

Japan

Net sales increased ¥194.3 billion (23.8%) over fiscal 2005 to ¥1,009.4 billion, while operating income totaled ¥52.8 billion, up ¥9.2 billion (21.1%). These increases are due mainly to a rise in unit sales of vehicles and lift trucks.

North America

Net sales totaled ¥246.1 billion, an increase of ¥33.9 billion (16.0%) over fiscal 2005. Operating income was ¥6.7 billion, up ¥0.4 billion (6.4%). Both increases were the result of an increase in unit sales of lift trucks.

Europe

Net sales increased ¥27.6 billion (14.6%) to ¥216.2 billion, due largely to an increase in unit sales of lift trucks. On the other hand, operating income decreased ¥0.1 billion (3.0%) to ¥4.5 billion, mainly as a result of a decrease in earnings of car air-conditioning compressor manufacturing subsidiaries.

Others

Net sales totaled ¥34.2 billion, an increase of ¥8.7 billion (33.8%), whereas operating income rose ¥0.8 billion (131.6%) to ¥1.5 billion.

Non-Operating Income and Expenses

Non-operating income increased ¥5.6 billion (14.6%) to ¥43.9 billion in fiscal 2006, owing primarily to an increase in dividends income from TMC.

Non-operating expenses totaled ¥27.3 billion, an increase of ¥6.8 billion (33.0%), due mainly to increases in interest expenses and a loss on disposal of fixed assets.

Income before Income Taxes

Income before income taxes amounted to ¥80.6 billion, up ¥10.3 billion (14.6%), as a result of a ¥9.7 billion increase in ordinary income.

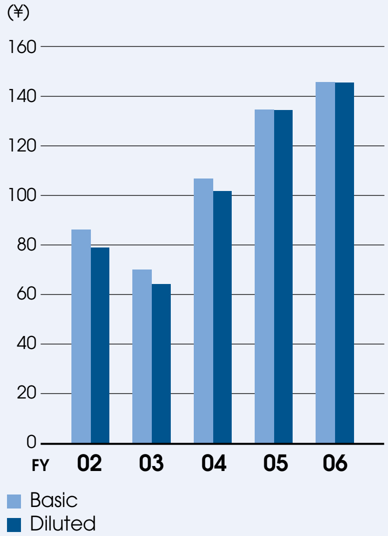
Income Taxes

Income taxes increased ¥6.1 billion (27.2%) to ¥28.3 billion, due largely to an increase in income taxes of the Company and the BT Industries Group.

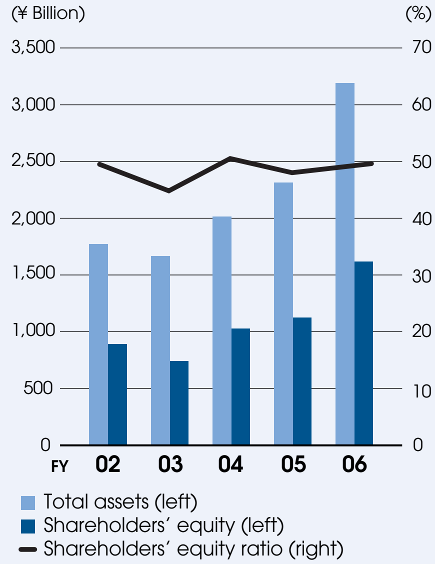
Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries amounted to ¥5.3 billion, up ¥0.5 billion (10.7%), as a result of strong performance by subsidiaries.

Net Income per Share



Total Assets, Shareholders' Equity and Shareholders' Equity Ratio



Net Income

Net income totaled ¥47.1 billion, an increase of ¥3.7 billion (8.6%) over fiscal 2005. Net income per share was ¥146.16, compared with ¥135.09 in fiscal 2005. Diluted net income per share increased from ¥135.03 to ¥146.02.

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.

In addition to current assets such as cash and cash equivalents and securities, Toyota Industries maintained a commercial paper issuance capacity of ¥100.0 billion as of March 31, 2006.

Toyota Industries continues to maintain its solid financial condition. Through the use of such current assets as cash and cash equivalents and securities, 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, and 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.

Assets, Liabilities and Shareholders' Equity

Total assets at the end of fiscal 2006 amounted to ¥3,245.3 billion, up ¥918.5 billion (39.5%) over the end of fiscal 2005, due largely to an increase in investments and other assets.

Current assets increased ¥46.3 billion (10.0%) over the previous fiscal year-end to ¥509.3 billion, reflecting the increases in cash and cash equivalents as well as trade notes and accounts receivable.

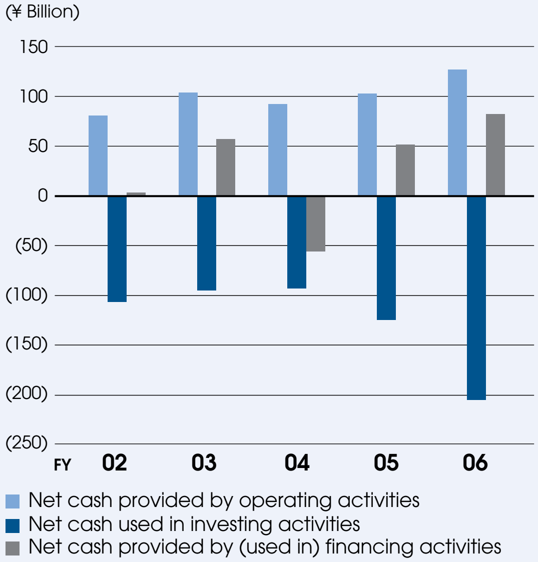
Property, plant and equipment increased ¥69.1 billion (15.1%) to ¥526.2 billion. Intangible assets decreased ¥7.0 billion (6.0%) to ¥110.0 billion, due mainly to amortization of goodwill.

Investments and other assets amounted to ¥2,100.0 billion, an increase of ¥810.2 billion (62.8%) over fiscal 2005. This increase was mainly the result of an increase in the market prices of shares of TMC and other Toyota Group companies held by Toyota Industries.

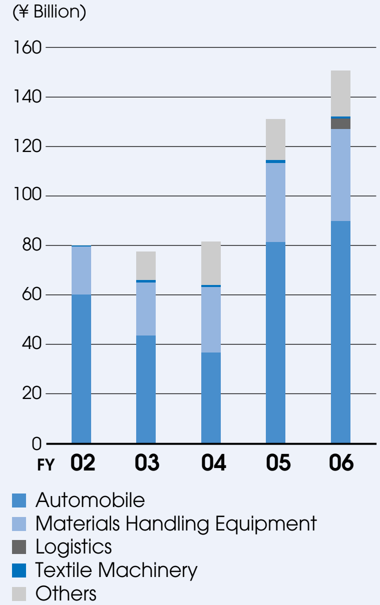
On the liabilities side, current liabilities increased ¥24.6 billion (5.8%) over the previous fiscal year-end to ¥446.1 billion as a result of an increase in trade notes and accounts payable.

Long-term liabilities amounted to ¥1,138.7 billion, an

Cash Flows



Investment in Property, Plant and Equipment



increase of ¥390.1 billion (52.1%) over the previous fiscal year-end. This was due chiefly to issuance of bonds and an increase in deferred tax liabilities arising from a rise in the market value of investment securities.

Minority interest in consolidated subsidiaries increased ¥8.4 billion (20.5%) to ¥49.3 billion.

Shareholders' equity increased ¥495.5 billion (44.4%) to ¥1,611.2 billion. This increase primarily reflected an increase in net unrealized gains on other securities accompanying an increase in the market value of investment securities. The ratio of shareholders' equity to total assets increased from 48.0% in the previous fiscal year to 49.6%, while shareholders' equity per share at year-end rose from ¥3,504.80 to ¥5,044.45.

Cash Flows

Cash flows from operating activities resulted in an increase in cash of ¥131.8 billion in fiscal 2006, due mainly to income before income taxes amounting to ¥80.6 billion. Net cash provided by operating activities increased ¥31.7 billion (31.7%) from ¥100.1 billion in the previous fiscal year. Cash flows from investing activities resulted in a decrease in cash of ¥205.0 billion, attributable primarily to payments for purchases of property, plant and equipment amounting to ¥161.5 billion, an increase of ¥51.4 billion (46.7%) from fiscal 2005. Net cash used in investing activities increased ¥76.8 billion (59.9%) from ¥128.2 billion in the previous fiscal year. Cash flows from financing activities resulted in an increase in cash of ¥85.2 billion due mainly to proceeds from issuance of bonds in an amount of ¥68.7 billion. Net cash provided by financing activities increased ¥35.2 billion (70.3%) from ¥50.0 billion in the previous fiscal year.

After translation adjustments, cash and cash equivalents as of March 31, 2006 stood at ¥112.6 billion, an increase of ¥12.1 billion (12.0%) over fiscal 2005.

Investment in Property, Plant and Equipment

During fiscal 2006, Toyota Industries made a total investment of ¥151.8 billion in property, plant and equipment (including ¥21.7 billion in vehicles and materials handling equipment for lease) in order to launch new products, streamline and upgrade production equipment, and augment R&D facilities.

In the Automobile Segment, investment in property, plant and equipment totaled ¥90.5 billion. A primary breakdown of this amount included ¥61.5 billion for the Company, ¥8.1 billion for TACG, ¥5.9 billion for TD Deutsche Klimakompressor GmbH, ¥5.4 billion for Izumi Machine Mfg. Co., Ltd., ¥3.6 billion for Tokyu Co., Ltd., ¥1.3 billion for Toyota Industry Automotive Parts (Kunshan) Co., Ltd. and ¥1.2 billion for Tokaiseiki Co., Ltd.

The Materials Handling Equipment Segment made an investment in property, plant and equipment in the total amount of ¥38.2 billion. The primary breakdown comprised ¥6.8 billion for the Company and ¥11.3 billion for the BT Industries Group.

Investment in property, plant and equipment in the Logistics Segment totaled ¥3.8 billion, including ¥23 million for the Company and ¥3.1 billion for Taikoh Transportation Co., Ltd.

The Textile Machinery Segment made an investment in property, plant and equipment in the total amount of ¥0.6

billion, including ¥0.4 billion for the Company.

In the Others Segment, the investment in property, plant and equipment totaled ¥18.7 billion, including ¥13.1 billion for the Company and ¥4.9 billion for TIBC.

Necessary funds were provided by a portion of bonds as well as internal funds and bank loans.

Business Strategy

Since its establishment as a specialized textile machinery manufacturer in 1926, Toyota Industries has diversified the scope of its businesses and achieved growth to become a company with such wide-ranging businesses as automobile-related, materials handling equipment, logistics and textile machinery businesses.

At present, Toyota Industries is undertaking an array of initiatives aimed at achieving further growth under a new five-year Medium-Term Management Plan begun in fiscal 2007, ending March 2007.

With an emphasis on quality as the basis of its management, Toyota Industries regards addressing environmental and safety-related areas and enhancing competitiveness as crucial management issues over the medium to long term. Accordingly, we will promote the development of cutting-edge technologies for providing products that anticipate customer needs, while strengthening our value chain. Additionally, we will create a structure for reinforcing our global consolidated management and utilizing our overall capabilities. As the basis for this structure, Toyota Industries plans to bolster its workplace strengths and cultivate global-oriented personnel who will support future business growth.

By business, our Vehicle and Engine businesses will strive for further growth in performance by contributing to TMC's global strategy.

The Materials Handling Equipment and Car Air-Conditioning Compressor businesses are expected to maintain their respective leading positions in world markets while implementing global business strategies, expanding market share and enhancing business results.

Meanwhile, the Textile Machinery Business aims to maintain its No. 1 share of the global market for air-jet looms and aims for stable business operations.

The Electronics Business, including power electronics devices for hybrid vehicles, and the Logistics Solutions Business will promote initiatives aimed at achieving growth to become future pillars of our operations.

By undertaking these measures, we intend to strengthen our competitiveness and raise corporate value. We also anticipate the undertaking of corporate activities with a consideration of the environment and working to realize growth in harmony with society.

Strategies and Outlook

Outlook for Results for Fiscal 2007

Toyota Industries expects the Japanese economy to continue along a steady path toward recovery thanks to a favorable ripple effect on consumer spending arising from strong corporate performance. However, uncertainties persist regarding exchange rate fluctuations and a further increase in the prices of crude oil and other raw materials.

For fiscal 2007, ending March 31, 2007, Toyota Industries forecasts consolidated net sales of ¥1,670.0 billion, ordinary income of ¥85.0 billion and net income of ¥49.0 billion. We are determined to heighten the comprehensive capabilities of the Toyota Industries Group as a whole by placing utmost emphasis on product quality, giving considerations to the environment and safety, increasing our competitive strengths, promoting technological advancements and strengthening our value chain so that we can develop and market leading-edge products that anticipate customer needs. We also plan to further augment global consolidated management and build a business structure that can take advantage of the collective strength of Toyota Industries while enhancing capabilities in the workplace and nurturing personnel of international caliber who will lead Toyota Industries to the next level of growth. We will further strive to promote adherence to compliance as well as proactive participation in environmental protection and social contribution activities.

Our projections are based on an exchange rate of ¥115.0 = US$1.

Dividend Policy

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

The Company's dividend policy is to meet the expectations of shareholders while giving full consideration to business performance, capital demand, the dividend payout ratio on a consolidated basis and other factors. Toyota Industries' Ordinary General Meeting of Shareholders, held on June 22, 2006, approved a year-end cash dividend of ¥20.0 per share. Including the interim cash dividend of ¥18.0 per share, cash dividends for the year totaled ¥38.0 per share, an increase of ¥6.0 per share over fiscal 2005.

The dividend payout ratio was 40.3%. On a consolidated basis, it was 26.0%.

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

Risk Information

The following represent risks that could have a material impact on Toyota Industries' financial condition, business results and share prices. The risks mentioned in this annual report represent only a portion of the risks that could have an impact on Toyota Industries' financial condition and business results, and do not necessarily cover all possible risks. There is also a possibility that Toyota Industries could be affected in the future by risks currently unknown or not considered noteworthy or significant.

Principal Customers

Toyota Industries' automobile and engine products are sold primarily to TMC. In fiscal 2006, net sales to TMC accounted for 35.0% of consolidated net sales. Therefore, TMC's vehicle sales could have an impact on Toyota Industries' business results. As of March 31, 2006, TMC held 24.02% 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.

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. Toyota Industries is insured for product liability indemnity. However, Toyota Industries cannot guarantee that this insurance will sufficiently cover final indemnity amounts incurred. 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 the Toyota Industries Group. 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' product 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.

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.

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 fluctuation 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, including malfunctions of production facilities, fires at production facilities and power blackouts. For example, the majority of Toyota Industries' domestic production facilities and most of its business partners are situated in the Chubu region. Therefore, a major earthquake such as the Tokai Earthquake, or an incident that affects other operations, 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 and practices 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 and is recognized as a liability in future accounting periods. 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 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 Division within the Company based on his resolve to manufacture Japanese-made automobiles. In 1937, the Automobile Division 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, 2006, Toyota Industries held 5.54% (200,025 thousand shares) of TMC's total shares issued. Likewise, as of the same date, TMC held 24.02% (76,600 thousand shares) of Toyota Industries' total voting rights and 23.51% of total shares issued. 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. Toyota Industries also sells car air-conditioning compressors to DENSO, a Toyota Group company. Additionally, we sell a portion of our other components and products directly or indirectly to other Toyota Group companies. In fiscal 2006, our net sales to TMC and DENSO accounted for 35.0% and 7.6% of our consolidated net sales, respectively.

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 our sales to and profits from the Toyota Group, thereby contributing to raising Toyota Industries' corporate value.

Consolidated Balance Sheets

Toyota Industries Corporation and Consolidated Subsidiaries
As of March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2006**	2005	**2006**
Current assets:			
Cash and cash equivalents	**¥ 112,597**	¥ 100,536	**$ 958,517**
Trade notes and accounts receivable (Note 7)	**200,690**	173,459	**1,708,436**
Short-term investments	**76**	199	**647**
Inventories (Note 5)	**104,534**	94,024	**889,878**
Deferred tax assets (Note 15)	**18,096**	20,379	**154,048**
Other current assets	**75,938**	76,729	**646,446**
Less — allowance for doubtful accounts	**(2,665)**	(2,352)	**(22,686)**
Total current assets	**509,266**	462,974	**4,335,286**
Fixed assets:			
Property, plant and equipment:			
Buildings and structures (Note 7)	**155,169**	132,419	**1,320,925**
Machinery, equipment and vehicles	**240,467**	185,425	**2,047,050**
Tools, furniture and fixtures	**22,311**	18,834	**189,929**
Land (Note 7)	**87,214**	78,659	**742,436**
Construction in progress	**20,994**	41,742	**178,718**
Total property, plant and equipment	**526,155**	457,079	**4,479,058**
Intangible assets:			
Software	**12,484**	12,411	**106,274**
Goodwill	**97,485**	104,561	**829,871**
Total intangible assets	**109,969**	116,972	**936,145**
Investments and other assets:			
Investments in securities (Notes 4 and 7)	**1,975,793**	1,198,337	**16,819,554**
Investments in affiliated companies	**60,977**	31,063	**519,086**
Long-term loans	**8,592**	9,804	**73,142**
Long-term prepaid expenses	**11,359**	13,219	**96,697**
Deferred tax assets (Note 15)	**6,842**	7,234	**58,245**
Other investments and other assets	**36,626**	30,473	**311,790**
Less — allowance for doubtful accounts	**(238)**	(331)	**(2,026)**
Total investments and other assets	**2,099,951**	1,289,799	**17,876,488**
Total fixed assets	**2,736,075**	1,863,850	**23,291,691**
Total assets	**¥3,245,341**	¥2,326,824	**$27,626,977**

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

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 1) 2006
Current liabilities:			
Trade notes and accounts payable	¥ 182,595	¥ 160,231	$ 1,554,397
Short-term bank loans (Note 7)	38,929	59,945	331,395
Commercial paper	29,680	–	252,660
Current portion of bonds (Note 7)	15,000	20,300	127,692
Other payables	30,620	45,462	260,662
Accrued expenses	67,674	59,357	576,096
Accrued income taxes	13,625	15,297	115,987
Deposits received from employees	20,915	20,055	178,046
Deferred tax liabilities (Note 15)	3,858	4,067	32,842
Other current liabilities (Note 7)	43,222	36,826	367,941
Total current liabilities	446,118	421,540	3,797,718
Long-term liabilities:			
Bonds (Note 6)	283,832	230,000	2,416,208
Long-term bank loans (Notes 6 and 7)	106,268	73,492	904,640
Deferred tax liabilities (Note 15)	681,504	381,787	5,801,515
Allowance for retirement benefits (Note 14)	46,535	44,463	396,144
Other long-term liabilities	20,586	18,891	175,245
Total long-term liabilities	1,138,725	748,633	9,693,752
Total liabilities	1,584,843	1,170,173	13,491,470
Minority interests in consolidated subsidiaries	49,271	40,904	419,435
Shareholders' equity (Note 10)**:**			
Common stock:			
Authorized — 1,091,245,000 shares			
Issued — 325,840,640 shares as of March 31, 2006 and 2005	80,463	80,463	684,966
Capital surplus	105,665	105,601	899,506
Retained earnings	358,386	325,331	3,050,873
Net unrealized gains on other securities	1,047,191	591,218	8,914,540
Foreign currency translation adjustments	33,886	29,861	288,465
Treasury stock at cost	(14,364)	(16,727)	(122,278)
6,520,194 shares as of March 31, 2006			
7,603,825 shares as of March 31, 2005			
Total shareholders' equity	1,611,227	1,115,747	13,716,072
Total liabilities, minority interests and shareholders' equity	¥3,245,341	¥2,326,824	$27,626,977

Consolidated Statements of Income

Toyota Industries Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Net sales	**¥1,505,956**	¥1,241,538	¥1,164,379	**$12,819,920**
Cost of sales (Note 11)	**1,276,499**	1,041,780	978,459	**10,866,596**
Gross profit	**229,457**	199,758	185,920	**1,953,324**
Selling, general and administrative expenses (Note 11)	**165,417**	146,638	133,289	**1,408,164**
Operating income	**64,040**	53,120	52,631	**545,160**
Non-operating income:				
Interest income	**9,114**	8,160	8,175	**77,586**
Dividends income	**20,091**	13,761	10,998	**171,031**
Equity in net earnings of unconsolidated subsidiaries and affiliated companies	**3,594**	6,805	1,842	**30,595**
Other non-operating income (Note 12)	**11,056**	9,558	9,169	**94,118**
Non-operating expenses:				
Interest expenses	**(11,956)**	(9,735)	(9,756)	**(101,779)**
Other non-operating expenses (Note 12)	**(15,304)**	(10,756)	(14,088)	**(130,280)**
Ordinary income	**80,635**	70,913	58,971	**686,431**
Extraordinary gains:				
Gain on transfer to a defined contribution pension plan	**–**	–	621	**–**
Extraordinary losses:				
Impairment loss of fixed assets (Note 9)	**–**	(559)	–	**–**
Provision for retirement and severance benefits for directors and corporate auditors	**–**	–	(1,851)	**–**
Income before income taxes and minority interests	**80,635**	70,354	57,741	**686,431**
Income taxes — current (Note 15)	**30,446**	26,809	23,967	**259,181**
Income taxes — deferred (Note 15)	**(2,138)**	(4,557)	(3,220)	**(18,200)**
Minority interests in consolidated subsidiaries	**5,250**	4,744	3,371	**44,692**
Net income	**¥ 47,077**	¥ 43,358	¥ 33,623	**$ 400,758**

	Yen			U.S. dollars (Note 1)
Net income per share — basic (Note 20)	**¥146.16**	¥135.09	¥108.04	**$1.24**
Net income per share — diluted (Note 20)	**146.02**	135.03	101.97	**1.24**
Cash dividends per share	**38.00**	32.00	24.00	**0.32**

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

Consolidated Statements of Shareholders' Equity

Toyota Industries Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

		Millions of yen					
	Number of shares (Thousands)	Common stock	Capital surplus	Retained earnings	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock at cost
Balance at March 31, 2003	313,324	¥68,047	¥ 89,365	¥269,381	¥ 331,668	¥16,890	¥(36,483)
Net income	–	–	–	33,623	–	–	–
Cash dividends	–	–	–	(7,417)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(290)	–	–	–
Net unrealized gains on other securities	–	–	–	–	202,411	–	–
Foreign currency translation adjustments	–	–	–	–	–	2,893	–
Conversions of convertible bonds	12,517	12,416	12,416	–	–	–	35,601
Repurchase of treasury stock	–	–	–	–	–	–	(17,094)
Gain on disposal of treasury stock	–	–	3,962	–	–	–	–
Change in subsidiaries' year-ends	–	–	–	(625)	–	–	–
Balance at March 31, 2004	325,841	80,463	105,743	294,672	534,079	19,783	(17,976)
Net income	–	–	–	43,358	–	–	–
Cash dividends	–	–	–	(7,949)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(331)	–	–	–
Net unrealized gains on other securities	–	–	–	–	57,139	–	–
Foreign currency translation adjustments	–	–	–	–	–	10,078	–
Repurchase of treasury stock	–	–	–	–	–	–	(53)
Exercise of stock options	–	–	(142)	–	–	–	1,302
Effect of adoption of a new accounting standard for retirement benefits by foreign subsidiaries	–	–	–	(4,419)	–	–	–
Balance at March 31, 2005	325,841	80,463	105,601	325,331	591,218	29,861	(16,727)
Net income	**–**	**–**	**–**	**47,077**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**–**	**(11,794)**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**–**	**(406)**	**–**	**–**	**–**
Net unrealized gains on other securities	**–**	**–**	**–**	**–**	**455,973**	**–**	**–**
Foreign currency translation adjustments	**–**	**–**	**–**	**–**	**–**	**4,025**	**–**
Repurchase of treasury stock	**–**	**–**	**–**	**–**	**–**	**–**	**(52)**
Exercise of stock options	**–**	**–**	**64**	**–**	**–**	**–**	**2,415**
Decrease due to increase in affiliates accounted for under the equity method	**–**	**–**	**–**	**(1,822)**	**–**	**–**	**–**
Balance at March 31, 2006	**325,841**	**¥80,463**	**¥105,665**	**¥358,386**	**¥1,047,191**	**¥33,886**	**¥(14,364)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Capital surplus	Retained earnings	Net unrealized gains on other securities	Foreign currency translation adjustments	Treasury stock at cost
Balance at March 31, 2005	$684,966	$898,961	$2,769,482	$5,032,928	$254,201	$(142,394)
Net income	**–**	**–**	**400,758**	**–**	**–**	**–**
Cash dividends	**–**	**–**	**(100,400)**	**–**	**–**	**–**
Bonuses to directors and corporate auditors	**–**	**–**	**(3,456)**	**–**	**–**	**–**
Net unrealized gains on other securities	**–**	**–**	**–**	**3,881,612**	**–**	**–**
Foreign currency translation adjustments	**–**	**–**	**–**	**–**	**34,264**	**–**
Repurchase of treasury stock	**–**	**–**	**–**	**–**	**–**	**(443)**
Exercise of stock options	**–**	**545**	**–**	**–**	**–**	**20,559**
Decrease due to increase in affiliates accounted for under the equity method	**–**	**–**	**(15,511)**	**–**	**–**	**–**
Balance at March 31, 2006	**$684,966**	**$899,506**	**$3,050,873**	**$8,914,540**	**$288,465**	**$(122,278)**

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

Consolidated Statements of Cash Flows

Toyota Industries Corporation and Consolidated Subsidiaries
For the years ended March 31, 2006, 2005 and 2004

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2006	2005	2004	**2006**
Cash flows from operating activities:				
Income before income taxes and minority interests	**¥ 80,635**	¥ 70,354	¥ 57,741	**$ 686,431**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	**87,288**	70,213	65,352	**743,066**
Impairment loss of fixed assets	**–**	559	–	**–**
Increase (decrease) in allowance for doubtful accounts	**101**	371	46	**860**
Interest and dividends income	**(29,205)**	(21,921)	(19,173)	**(248,617)**
Interest expenses	**11,956**	9,735	9,756	**101,779**
Equity in net earnings of affiliated companies	**(3,594)**	(6,805)	(1,842)	**(30,595)**
(Increase) decrease in receivables	**(27,435)**	(22,923)	(11,051)	**(233,549)**
(Increase) decrease in inventories	**(9,228)**	(12,851)	751	**(78,556)**
Increase (decrease) in payables	**21,377**	26,893	2,631	**181,979**
Others, net	**12,161**	(4,063)	9,741	**103,524**
Subtotal	**144,056**	109,562	113,952	**1,226,322**
Interest and dividends income received	**29,236**	21,972	18,900	**248,881**
Interest expenses paid	**(11,009)**	(8,711)	(9,845)	**(93,718)**
Income taxes paid	**(30,498)**	(22,728)	(30,601)	**(259,624)**
Net cash provided by operating activities	**131,785**	100,095	92,406	**1,121,861**
Cash flows from investing activities:				
Payments for purchases of marketable securities	**–**	–	(101)	**–**
Proceeds from sales of marketable securities	**1**	–	3,874	**9**
Payments for purchases of property, plant and equipment	**(161,505)**	(110,112)	(78,268)	**(1,374,862)**
Proceeds from sales of property, plant and equipment	**8,415**	10,043	3,201	**71,635**
Payments for purchases of investment securities	**(47,727)**	(9,563)	(14,301)	**(406,291)**
Proceeds from sales of investment securities	**2,046**	3,300	2,615	**17,417**
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	**–**	(16,943)	–	**–**
Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation	**–**	–	1,216	**–**
Payments for loans made	**(2,256)**	(2,371)	(4,978)	**(19,205)**
Proceeds from collections of loans	**3,264**	2,784	5,448	**27,786**
Payments for acquisition of business	**–**	–	(961)	**–**
Others, net	**(7,252)**	(5,369)	(10,413)	**(61,735)**
Net cash used in investing activities	**(205,014)**	(128,231)	(92,668)	**(1,745,246)**
Cash flows from financing activities:				
Increase (decrease) in short-term loans	**(22,902)**	(13,687)	(10,959)	**(194,960)**
Increase (decrease) in commercial paper	**29,520**	(15,000)	15,000	**251,298**
Proceeds from long-term bank loans	**38,824**	40,786	4,522	**330,501**
Repayments of long-term bank loans	**(3,366)**	(6,964)	(8,530)	**(28,654)**
Proceeds from issuances of bonds	**68,730**	50,000	–	**585,086**
Repayments of bonds	**(20,300)**	–	(31,677)	**(172,810)**
Payments to convertible bond redemption funds	**–**	–	(56,670)	**–**
Proceeds from convertible bond redemption funds	**–**	–	56,670	**–**
Payments for repurchase of treasury stock	**(52)**	(53)	(17,094)	**(443)**
Cash dividends paid	**(11,785)**	(7,949)	(7,414)	**(100,323)**
Cash dividends paid to minority shareholders	**(854)**	(667)	(252)	**(7,270)**
Others, net	**7,358**	3,555	389	**62,637**
Net cash provided by (used in) financing activities	**85,173**	50,021	(56,015)	**725,062**
Translation adjustments of cash and cash equivalents	**117**	1,439	323	**996**
Net increase (decrease) in cash and cash equivalents	**12,061**	23,324	(55,954)	**102,673**
Cash and cash equivalents at beginning of year	**100,536**	77,212	136,929	**855,844**
Net decrease in cash and cash equivalents due to change in subsidiaries' year-ends	**–**	–	(3,763)	**–**
Cash and cash equivalents at end of year	**¥112,597**	¥100,536	¥ 77,212	**$ 958,517**

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 Commercial Code of Japan and the Securities and Exchange Law, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of the Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥117.47=US$1, the rate of exchange prevailing at March 31, 2006, has been used in translation. The inclusion of such amounts are not intended to imply that the Japanese yen actually represent, or have been or could be converted into, equivalent amounts in U.S. dollars at this rate or any other rates.

2. Summary of significant accounting policies

(1) Consolidation

The consolidated financial statements include the accounts of the Company and its 153 subsidiaries (43 domestic subsidiaries and 110 overseas subsidiaries, which are listed on pages 58 and 59) in 2006, 146 subsidiaries (43 domestic subsidiaries and 103 overseas subsidiaries) in 2005 and 140 subsidiaries (42 domestic subsidiaries and 98 overseas subsidiaries) in 2004.

For the year ended March 31, 2006, nine subsidiaries were newly added to the scope of consolidation and two companies were excluded from the scope of consolidation because of mergers and acquisitions.

For the year ended March 31, 2005, 11 subsidiaries were newly added to the scope of consolidation and six companies were excluded from the scope of consolidation because of mergers and acquisitions.

For the year ended March 31, 2004, 22 subsidiaries were newly added to the scope of consolidation. One unconsolidated subsidiary was excluded from the scope of consolidation due to temporary investments.

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 intercompany transactions, balances and unrealized profits within Toyota Industries have been eliminated.

A full portion of the assets and liabilities of the acquired subsidiaries is stated at fair value as of the date of acquisition of control.

(2) Investments in unconsolidated subsidiaries and affiliates

Investments in 22 major affiliates in 2006, 20 major affiliates in 2005 and one unconsolidated subsidiary and 19 major affiliates in 2004 are accounted for by the equity method of accounting. Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost due to their insignificant effect on the consolidated financial statements.

The major affiliates accounted for by the equity method are listed on page 59.

(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 income statements.

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 include all highly liquid investments, generally with original maturities of three months or less, that are readily convertible to known amounts of cash and are so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

(5) Marketable securities and investment in securities

Toyota Industries classifies securities into four categories by purpose of holding: trading securities, held-to-maturity securities, other securities and investments in unconsolidated subsidiaries and affiliates. Toyota Industries did not have trading securities or held-to-maturity securities as of March 31, 2006 and 2005.

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 "Net unrealized gains on other securities" as a separate component of shareholders' equity. 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 unconsolidated subsidiaries and affiliates are accounted for by the equity method (see Note 2 (2)).

(6) Inventories

Inventories are stated mainly at cost determined by the moving-average method.

(7) Property, plant and equipment, and depreciation

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 Japanese subsidiaries and by the straight-line method for foreign subsidiaries.

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

Accumulated depreciation as of March 31, 2006 and 2005 was ¥585,996 million (US$4,988,474 thousand) and ¥541,383 million, respectively.

(8) Intangible assets and amortization

Amortization of intangible assets is computed using the straight-line method. Software costs for internal use are amortized by the straight-line method over their expected useful lives (mainly five years).

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

Accumulated amortization of intangibles and goodwill as of March 31, 2006 and 2005 was ¥53,553 million (US$455,887 thousand) and ¥42,637 million, respectively.

(9) Impairment of fixed assets

Calculation of the impairment of fixed assets is based on reasonable and supportable assumptions and projection of the grouping of assets and recoverable value, with due consideration for the specific conditions of each company.

The recoverable amount of assets is calculated based on net selling price. The change in accounting policy is described in Note 3.

(10) 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.

(11) Deferred charges

Stock issuance costs and bond issuance costs are expensed as incurred.

(12) Allowance for retirement benefits

Toyota Industries accrues an amount which is considered to be incurred in the period based on the estimated projected benefit obligations and estimated pension assets at the end of the year. To provide for the retirement benefits for directors and corporate auditors, an amount which is calculated at the end of the year as required by an internal policy describing the retirement benefits for directors and corporate auditors is accrued.

(13) Lease transactions

Finance leases other than those that are deemed to transfer the ownership of the leased assets to lessees are accounted for mainly by a method similar to that applicable to ordinary operating leases.

(14) 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.

(15) 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.

(b) Hedging instruments and hedged items

Hedging instruments:	Derivatives instruments (interest rate swaps, foreign currency forwards and foreign currency option contracts)
Hedged items:	Risk of change in interest rate on borrowings and risk of change in forward exchange rate on transactions denominated in foreign currencies (assets and liabilities, 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.

(e) Others

Due to the fact that counterparties to Toyota Industries represent major financial institutions which have high creditworthiness, Toyota Industries believes that the overall credit risk related to its financial instruments is insignificant.

(16) Appropriation of retained earnings

In the accompanying consolidated statements of shareholders' equity, the approved amount during the relevant fiscal year is reflected for the appropriation of retained earnings of consolidated subsidiaries. In Japan, the payment of bonuses to directors and corporate auditors is made out of retained earnings through an appropriation, instead of being charged to income for the year.

(17) 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.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

(18) 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 convertible bonds. Cash dividends per share shown in the statements of income are the amounts applicable to the respective years.

3. Change in accounting policy and adoption of new accounting standards

For the year ended March 31, 2005

Impairment of fixed assets

Toyota Industries has applied Accounting Standards for Impairment of Fixed Assets (Opinions Concerning Establishment of Accounting Standards for Impairment of Fixed Assets) issued on August 9, 2002 by the Business Accounting Council in Japan, and the application guideline for Accounting Standards for Impairment of Fixed Assets (the Financial Accounting Standard Implementation Guideline No. 6 issued on October 31, 2003), to the consolidated financial statements for fiscal 2005, as early adoption of such standards and guidelines, which are effective for fiscal years beginning on and after April 1, 2005, was permitted for the consolidated accounting for the fiscal year ended March 31, 2005.

4. Marketable securities:

(1) As of and for the year ended March 31, 2006:

(a) Other securities with readily determinable fair value as of March 31, 2006 are as follows:

	Millions of yen			Thousands of U.S. dollars		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Securities with carrying amount exceeding acquisition cost:						
Stocks	¥212,297	¥1,956,654	¥1,744,357	$1,807,245	$16,656,627	$14,849,382
Subtotal	212,297	1,956,654	1,744,357	1,807,245	16,656,627	14,849,382
Securities with carrying amount not exceeding acquisition cost:						
Stocks	1,808	1,339	(469)	15,391	11,399	(3,992)
Subtotal	1,808	1,339	(469)	15,391	11,399	(3,992)
Total	¥214,105	¥1,957,993	¥1,743,888	$1,822,636	$16,668,026	$14,845,390

In this year, Toyota Industries recorded ¥1,487 million (US$12,659 thousand) of impairment on an equity security included in securities with carrying amount not exceeding the cost lines.

(b) Other securities sold during the year ended March 31, 2006 are as follows:

Millions of yen			Thousands of U.S. dollars		
Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
¥2,517	¥1,280	¥2	$21,427	$10,896	$17

(c) The carrying amount of securities (excluding held-to-maturity bonds which are included within securities with fair value) without readily determinable fair values as of March 31, 2006 are as follows:

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Other securities		
Domestic unlisted stocks excluding over-the-counter stocks	¥17,800	$151,528
Money management funds	45,003	383,102

(d) Redemption schedule of securities which have maturities within other securities as of March 31, 2006 is as follows:

	Millions of yen				Thousands of U.S. dollars			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Bonds								
Government bonds	¥0	¥–	¥–	¥–	$0	$–	$–	$–
Total	¥0	¥–	¥–	¥–	$0	$–	$–	$–

(2) As of and for the year ended March 31, 2005:

(a) Other securities with readily determinable fair value as of March 31, 2005 are as follows:

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amount exceeding acquisition cost:			
Stocks	¥191,932	¥1,177,188	¥985,256
Subtotal	191,932	1,177,188	985,256
Securities with carrying amount not exceeding acquisition cost:			
Stocks	3,348	2,911	(437)
Bonds			
Government and municipal bonds, etc.	0	0	0
Other bonds	1	1	0
Subtotal	3,349	2,912	(437)
Total	¥195,281	¥1,180,100	¥984,819

In this year, Toyota Industries recorded ¥35 million of impairment on an equity security included in securities with carrying amount not exceeding the cost lines.

(b) Other securities sold during the year ended March 31, 2005 are as follows:

Millions of yen		
Proceeds	Realized gains	Realized losses
¥3,189	¥1,789	¥32

(c) The carrying amount of securities (excluding held-to-maturity bonds which are included within securities with fair value) without readily determinable fair values as of March 31, 2005 are as follows:

	Carrying amount
	Millions of yen
Other securities	
Domestic unlisted stocks excluding over-the-counter stocks	¥18,288
Money management funds	40,006

(d) Redemption schedule of securities which have maturities within other securities as of March 31, 2005 is as follows:

	Millions of yen			
	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years	Over 10 years
Bonds				
Government bonds and municipal bonds, etc.	¥–	¥–	¥0	¥–
Other bonds	1	–	–	–
Total	¥1	¥–	¥0	¥–

5. Inventories

Inventories as of March 31, 2006 and 2005 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Finished goods	**¥ 40,703**	¥35,616	**$346,497**
Raw materials	**16,097**	15,331	**137,031**
Work in process	**37,089**	34,587	**315,731**
Supplies	**10,645**	8,490	**90,619**
Total	**¥104,534**	¥94,024	**$889,878**

6. Long-term debt

(1) Long-term debt as of March 31, 2006 and 2005 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
The Company:			
2.70% bonds due 2008 without collateral	**¥ 30,000**	¥ 30,000	**$ 255,384**
2.15% bonds due 2008 without collateral	**20,000**	20,000	**170,256**
1.50% bonds due 2006 without collateral	**15,000**	15,000	**127,693**
1.94% bonds due 2009 without collateral	**15,000**	15,000	**127,693**
1.25% bonds due 2005 without collateral	**–**	20,000	**–**
1.91% bonds due 2010 without collateral	**20,000**	20,000	**170,256**
0.41% bonds due 2007 without collateral	**30,000**	30,000	**255,384**
1.13% bonds due 2012 without collateral	**50,000**	50,000	**425,641**
1.03% bonds due 2012 without collateral	**30,000**	30,000	**255,384**
1.46% bonds due 2014 without collateral	**20,000**	20,000	**170,256**
1.01% bonds due 2010 without collateral	**20,000**	–	**170,256**
1.66% bonds due 2015 without collateral	**30,000**	–	**255,384**
Consolidated subsidiaries:			
1.80% bonds due 2005	**–**	300	**–**
0.49-0.87% medium-term notes due 2009-2010	**18,832**	–	**160,314**
Long-term bank loans	**109,268**	77,522	**930,178**
Less: current portion of long-term debt	**(18,000)**	(24,330)	**(153,231)**
Total	**¥390,100**	¥303,492	**$3,320,848**

(2) Annual maturities of long-term debt as of March 31, 2006 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2007	**¥ 18,000**	**$ 153,231**
2008	**66,827**	**568,886**
2009	**22,118**	**188,286**
2010	**32,291**	**274,887**
2011	**51,188**	**435,754**
2012 and thereafter	**217,676**	**1,853,035**
Total	**¥408,100**	**$3,474,079**

7. Assets pledged as collateral

(1) Assets pledged as collateral as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Investments in securities	**¥57,035**	¥33,345	**$485,528**
Buildings and structures	**1,798**	3,155	**15,306**
Land	**2,953**	3,798	**25,138**
Trade notes and accounts receivable	**245**	1,033	**2,086**
Other	**–**	41	**–**
Total	**¥62,031**	¥41,372	**$528,058**

(2) Secured liabilities as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Other current liabilities	**¥20,806**	¥19,966	**$177,118**
Short-term bank loans	**363**	3,158	**3,090**
Current portion of bonds	**–**	300	**–**
Long-term bank loans	**156**	2,685	**1,328**
Total	**¥21,325**	¥26,109	**$181,536**

8. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of March 31, 2006 and 2005 as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Guarantees given by the Company	**¥1,000**	¥25,401	**$ 8,513**
Guarantees given by consolidated subsidiaries	**1,180**	700	**10,045**
Guarantee forwards given by the Company	**544**	2,954	**4,631**

9. Impairment loss of fixed assets

Region	Items	Details of Fixed assets	Millions of yen 2005
Hyogo	One idle property	Building	¥ 28
		Land	338
Tochigi	One idle property	Land	86
Nagano	One idle property	Land	59
Kagawa	One idle property	Land	48
Total			¥559

10. Shareholders' equity

Under the Japanese Commercial Code, amounts equal to at least 10% of the sum of the cash dividends and other external appropriations paid by the Company and its domestic subsidiaries must be set aside as a legal reserve until it equals 25% of common stock. The legal reserve may be used to reduce a deficit or may be transferred to common stock by taking appropriate corporate action. In consolidation, the legal reserves of the Company and its domestic subsidiaries are accounted for as retained earnings.

A 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 Japanese Commercial Code.

Proceeds from the conversion of convertible bonds have been accounted for in approximately equal amounts as common stock and capital surplus. At least 50% of the proceeds have been accounted for as common stock, in accordance with the provisions of the Japanese Commercial Code.

11. Research and development expenses

Research and development expenses, which are included in selling, general and administrative expenses and manufacturing costs, amounted to ¥31,166 million (US$265,310 thousand), ¥30,051 million and ¥29,562 million for the years ended March 31, 2006, 2005 and 2004, respectively.

12. Other non-operating income and expenses

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Other non-operating income:				
Gain on sales of marketable securities	**¥ 1,280**	¥ 1,659	¥ 819	**$ 10,896**
Rental income of fixed assets	**2,110**	1,932	1,833	**17,962**
Exchange gain	**1,197**	500	836	**10,190**
Gain on sales of fixed assets	**838**	957	808	**7,134**
Sundries	**5,631**	4,510	4,873	**47,936**
Total	**¥11,056**	¥ 9,558	¥ 9,169	**$ 94,118**
Other non-operating expenses:				
Loss on impairment of securities	**¥ 1,469**	¥ 56	¥ 251	**$ 12,505**
Depreciation	**1,716**	2,381	2,342	**14,608**
Loss on disposal of fixed assets	**4,488**	2,381	3,523	**38,206**
Exchange loss	**1,745**	610	1,283	**14,855**
Bond issuance costs	**201**	205	502	**1,711**
Sundries	**5,685**	5,123	6,187	**48,395**
Total	**¥15,304**	¥10,756	¥14,088	**$130,280**

13. Derivative instruments

(1) Qualitative disclosure about derivatives

(a) Contents of derivative instruments into which Toyota Industries entered, policy with respect to entering into derivative instruments, and purpose of using derivative instruments:

Toyota Industries uses interest rate swap agreements to reduce interest rate risks on borrowings. Toyota Industries also uses foreign currency forward contracts and foreign currency option contracts to hedge foreign currency risks on transactions denominated in foreign currencies (receivables and payables and forecasted transactions).

(b) Contents of risks related to derivative instruments:

Interest rate swaps, foreign currency forward contracts and foreign currency option contracts into which Toyota Industries entered have risks of fluctuations in interest rates and in foreign currency exchange rates. Due to the fact that counterparties to Toyota Industries represent major financial institutions which have high creditworthiness, Toyota Industries believes that the overall credit risk related to its financial instruments is insignificant.

(c) Controls in place over transactions handling derivative instruments:

Hedging transactions are executed and controlled based on Toyota Industries' internal policy and Toyota Industries' hedging activities are reported periodically to a director responsible for accounting.

(2) Quantitative disclosure about derivatives

Toyota Industries omitted this information because hedge accounting is applied to all of the derivative instruments into which Toyota Industries entered.

14. Retirement benefits

(1) Outline of retirement benefit plans:
The Company and its domestic subsidiaries maintain tax qualified pension plans and lump-sum indemnities plans, both of which are non-contributory defined benefit pension plans. In addition, certain foreign subsidiaries maintain non-contributory defined benefit pension plans. Since 1987, the Company has been transferring the covering percentages of its pension plan from its lump-sum indemnities plan to its tax qualified pension plan. As of March 31, 2006, its tax qualified pension plan covers 50% of total plans. Also, the Company established an employee retirement benefit trust.

(2) Components of allowance for retirement benefits as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Benefit obligation	**¥138,348**	¥124,570	**$1,177,730**
Plan assets	**(86,362)**	(77,121)	**(735,183)**
Unfunded benefit obligation	**51,986**	47,449	**442,547**
Unrecognized actuarial gains or losses	**(16,286)**	(14,564)	**(138,640)**
Unrecognized loss in prior service obligation	**(615)**	(350)	**(5,235)**
Net amount recognized on the balance sheets	**35,085**	32,535	**298,672**
Prepaid pension expenses	**(6,007)**	(6,694)	**(51,137)**
Allowance for retirement benefits	**¥ 41,092**	¥ 39,229	**$ 349,809**

Certain subsidiaries use the simplified method to determine benefit obligations. Prepaid pension expenses are included in other investments and other assets. Allowance for retirement benefits on the balance sheets includes ¥5,443 million (US$46,335 thousand) and ¥5,234 million of allowance for retirement and severance benefits for directors and corporate auditors as of March 31, 2006 and 2005, respectively.

(3) Components of retirement benefit expenses for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Service cost	**¥ 7,921**	¥ 7,446	¥ 7,424	**$ 67,430**
Interest cost	**4,079**	3,987	4,559	**34,724**
Expected return on plan assets	**(2,436)**	(2,196)	(822)	**(20,737)**
Amortization of prior service obligation	**95**	85	79	**809**
Amortization of unrecognized actuarial gains or losses	**779**	1,030	1,854	**6,631**
Retirement benefit expenses	**¥10,438**	¥10,352	¥13,094	**$ 88,857**

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

(4) Assumptions used for calculation of retirement benefits for the years ended March 31, 2006, 2005 and 2004 are as follows:

	2006	2005	2004	
Method of attribution of estimated retirement benefits to periods of employee service: Straight-line method				
Discount rate	**2.00%**	2.00%	2.00%	
Expected return on plan assets	**3.00%**	3.00%	3.00%	
Amortization period of prior service obligation	**6–11 years**	6–11 years	6–11 years	— Straight-line method over the remaining service period of employees starting from the year incurred
Amortization period of unrecognized actuarial gains or losses	**20 years**	20 years	20 years	— Straight-line method over the average remaining service period of employees starting from following year

(5) Plan assets relating to welfare pension fund under multiemployer pension plan:
Amounts of plan assets calculated based on proportion of contribution to the fund made by each domestic subsidiary are ¥11,214 million (US$95,463 thousand) and ¥8,226 million as of March 31, 2006 and 2005, respectively.

15. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Allowance for retirement benefits	**¥ 15,561**	¥ 12,842	**$ 132,468**
Trade receivables	**2,867**	5,270	**24,406**
Accrued expenses	**6,739**	6,049	**57,368**
Net operating loss carry-forwards for tax purposes	**2,012**	1,979	**17,128**
Depreciation	**4,538**	5,222	**38,631**
Securities	**2,529**	2,195	**21,529**
Enterprise tax payable	**1,045**	1,059	**8,896**
Other	**14,119**	15,962	**120,192**
Subtotal	**49,410**	50,578	**420,618**
Less — valuation allowance	**(2,705)**	(2,689)	**(23,027)**
Total deferred tax assets	**46,705**	47,889	**397,591**
Deferred tax liabilities:			
Other securities	**695,355**	392,618	**5,919,426**
Depreciation	**6,004**	5,355	**51,111**
Land	**1,112**	1,110	**9,466**
Reserve for advanced depreciation	**520**	537	**4,426**
Reserve for special depreciation	**678**	529	**5,772**
Other	**3,460**	5,981	**29,454**
Total deferred tax liabilities	**707,129**	406,130	**6,019,655**
Net deferred tax liabilities	**¥(660,424)**	¥(358,241)	**$(5,622,064)**

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

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Current assets — deferred tax assets	**¥ 18,096**	¥ 20,379	**$ 154,048**
Investments and other assets — deferred tax assets	**6,842**	7,234	**58,245**
Current liabilities — deferred tax liabilities	**(3,858)**	(4,067)	**(32,842)**
Long-term liabilities — deferred tax liabilities	**(681,504)**	(381,787)	**(5,801,515)**
Net deferred tax liabilities	**¥(660,424)**	¥(358,241)	**$(5,622,064)**

(2) Reconciliations of differences between the statutory rate of income taxes and the effective rate of income taxes for the years ended March 31, 2006, 2005 and 2004 are as follows:

	2006	2005	2004
Statutory rate of income taxes	**39.9%**	39.9%	41.2%
Addition (reduction) in taxes resulting from:			
Dividends income and others permanently not recognized as taxable income	**(5.0)**	(3.8)	(3.4)
Equity in earnings of affiliates	**–**	(3.8)	–
Other	**0.2**	(0.7)	(1.9)
Effective rate of income taxes	**35.1%**	31.6%	35.9%

16. Leases

(1) Finance leases (as a lessee) which do not transfer ownership of leased properties to lessees

(a) Pro forma information regarding the leased properties such as acquisition cost and accumulated depreciation, which are not reflected in the accompanying consolidated balance sheets under finance leases as of March 31, 2006 and 2005, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Machinery and equipment:			
Acquisition cost equivalents	¥14,894	¥13,791	$126,790
Accumulated depreciation equivalents	7,838	7,050	66,724
Machinery and equipment net balance equivalents	7,056	6,741	60,066
Tools, furniture and fixtures:			
Acquisition cost equivalents	13,603	12,146	115,800
Accumulated depreciation equivalents	6,866	6,232	58,449
Tools, furniture and fixtures net balance equivalents	6,737	5,914	57,351
Software:			
Acquisition cost equivalents	123	128	1,047
Accumulated depreciation equivalents	73	59	621
Software net balance equivalents	50	69	426
Total net leased properties	¥13,843	¥12,724	$117,843

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

(b) Pro forma information regarding future minimum lease payments as of March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within 1 year	¥ 4,254	¥ 4,061	$ 36,214
Due after 1 year	9,589	8,663	81,629
Total	¥13,843	¥12,724	$117,843

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 total balance of property, plant and equipment at year-end is immaterial.

(c) Total lease payments for the years ended March 31, 2006, 2005 and 2004 are as follows:

	Millions of yen	Thousands of U.S. dollars
2006	¥5,236	$44,573
2005	4,927	–
2004	3,614	–

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 leasing term to be useful lives for the years ended 2006, 2005 and 2004, and are equivalent to the amount of total lease payments of the above.

(2) Operating leases (as a lessee)

Pro forma future lease payments under operating leases as of March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within 1 year	¥ 4,367	¥ 4,165	$ 37,175
Due after 1 year	12,273	17,392	104,478
Total	¥16,640	¥21,557	$141,653

(3) Finance leases (as a lessor) which do not transfer ownership of leased properties to lessees

(a) Information regarding leased properties such as acquisition cost and accumulated depreciation under finance leases as of March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Machinery and equipment:			
Acquisition cost	¥7,356	¥8,928	$62,620
Accumulated depreciation	4,030	5,221	34,307
Total net leased property	¥3,326	¥3,707	$28,313

(b) Pro forma information regarding future minimum lease income as of March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within 1 year	¥1,256	¥1,750	$10,692
Due after 1 year	3,308	3,167	28,160
Total	¥4,564	¥4,917	$38,852

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

(c) Total lease receipts and depreciation expenses for the years ended March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Total lease payments to be received	¥1,703	¥2,351	$14,497
Depreciation expenses	1,603	1,830	13,646

(4) Operating leases (as a lessor)

Pro forma information regarding future minimum rentals under operating leases as of March 31, 2006 and 2005 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	2006
Due within 1 year	¥10,722	¥10,040	$ 91,274
Due after 1 year	21,612	16,382	183,979
Total	¥32,334	¥26,422	$275,253

17. Subsequent event

On June 22, 2006, the shareholders of the Company authorized payment of a year-end cash dividend to shareholders of record as of March 31, 2006 of ¥20 (US$0.17) per share, or a total of ¥6,386 million (US$54,363 thousand), and bonuses to directors and corporate auditors of ¥301 million (US$2,562 thousand). Cash dividends for the year totaled ¥38 (US$0.32) per share, including a semi-annual dividend of ¥18 (US$0.15).

18. Segment information

(1) Business segments

As of and for the years ended March 31, 2006, 2005 and 2004:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Sales:				
Automobile				
Outside customer sales	**¥ 746,796**	¥ 616,200	¥ 603,863	**$ 6,357,334**
Intersegment transactions	**20,768**	18,223	15,698	**176,794**
	767,564	634,423	619,561	**6,534,128**
Materials Handling Equipment				
Outside customer sales	**595,237**	503,990	443,444	**5,067,141**
Intersegment transactions	**482**	149	138	**4,103**
	595,719	504,139	443,582	**5,071,244**
Logistics				
Outside customer sales	**65,145**	–	–	**554,567**
Intersegment transactions	**6,356**	–	–	**54,107**
	71,501	–	–	**608,674**
Textile Machinery				
Outside customer sales	**49,789**	43,902	45,969	**423,844**
Intersegment transactions	**23**	25	16	**196**
	49,812	43,927	45,985	**424,040**
Others				
Outside customer sales	**48,989**	77,446	71,103	**417,034**
Intersegment transactions	**20,851**	21,579	14,132	**177,501**
	69,840	99,025	85,235	**594,535**
Subtotal	**1,554,436**	1,281,514	1,194,363	**13,232,621**
Elimination of intersegment transactions	**(48,480)**	(39,976)	(29,984)	**(412,701)**
Total	**¥1,505,956**	¥1,241,538	¥1,164,379	**$12,819,920**
Operating costs and expenses:				
Automobile	**¥ 747,469**	¥ 611,660	¥ 592,031	**$ 6,363,063**
Materials Handling Equipment	**556,950**	478,054	424,233	**4,741,211**
Logistics	**69,914**	–	–	**595,165**
Textile Machinery	**49,883**	44,698	45,885	**424,645**
Others	**66,107**	93,782	79,485	**562,756**
Elimination of intersegment transactions	**(48,407)**	(39,776)	(29,886)	**(412,080)**
Total	**¥1,441,916**	¥1,188,418	¥1,111,748	**$12,274,760**
Operating income (loss):				
Automobile	**¥ 20,095**	¥ 22,763	¥ 27,530	**$ 171,065**
Materials Handling Equipment	**38,769**	26,085	19,349	**330,033**
Logistics	**1,587**	–	–	**13,509**
Textile Machinery	**(71)**	(771)	100	**(605)**
Others	**3,733**	5,243	5,750	**31,779**
Elimination of intersegment transactions	**(73)**	(200)	(98)	**(621)**
Total	**¥ 64,040**	¥ 53,120	¥ 52,631	**$ 545,160**

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Assets:				
Automobile	**¥ 420,205**	¥ 407,436	¥ 338,247	**$ 3,577,126**
Materials Handling Equipment	**509,366**	465,832	406,384	**4,336,137**
Logistics	**106,356**	–	–	**905,389**
Textile Machinery	**16,517**	25,622	24,744	**140,606**
Others	**103,083**	148,712	100,626	**877,526**
Corporate assets or elimination	**2,089,814**	1,279,222	1,141,994	**17,790,193**
Total	**¥3,245,341**	¥2,326,824	¥2,011,995	**$27,626,977**
Depreciation and amortization:				
Automobile	**¥ 48,370**	¥ 37,075	¥ 35,793	**$ 411,765**
Materials Handling Equipment	**30,044**	27,016	23,538	**255,759**
Logistics	**3,310**	–	–	**28,177**
Textile Machinery	**1,011**	898	931	**8,606**
Others	**4,544**	5,215	5,443	**38,682**
Corporate or elimination of intersegment transactions	**9**	9	(353)	**77**
Total	**¥ 87,288**	¥ 70,213	¥ 65,352	**$ 743,066**
Capital expenditures:				
Automobile	**¥ 101,897**	¥ 92,692	¥ 48,793	**$ 867,430**
Materials Handling Equipment	**43,521**	33,973	32,205	**370,486**
Logistics	**4,046**	–	–	**34,443**
Textile Machinery	**731**	1,613	1,204	**6,223**
Others	**8,620**	8,223	7,749	**73,380**
Corporate or elimination of intersegment transactions	**21**	5	(442)	**179**
Total	**¥ 158,836**	¥ 136,506	¥ 89,509	**$ 1,352,141**

Main products of each segment are as follows:

Automobile..Passenger vehicles, diesel and gasoline engines, car air-conditioning compressors
Materials handling equipment............Counterbalanced lift trucks, warehouse trucks, automated storage and retrieval systems, truck mount aerial work platforms
Logistics..Transportation services, logistics planning, operation of distribution centers, collection and delivery of cash and management of sales proceeds
Textile machinery..................................Ring spinning frames, air-jet looms, water-jet looms
Others...Semiconductor package substrates

Corporate assets included in corporate assets or elimination consist mainly of cash and cash equivalents, short-term investments and investments in securities held by the Company.

Changes in business segment

The logistics-related business, which was included in the Others Segment until the previous fiscal year, has been separated and declared independently as the Logistics Segment starting from this fiscal year. In fiscal 2005, the Logistics Segment posted net sales of ¥37,913 million, an operating loss of ¥650 million, assets of ¥78,951 million, depreciation and amortization of ¥1,323 million and capital expenditures of ¥2,930 million.

(2) Geographical segments

As of and for the years ended March 31, 2006, 2005 and 2004:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Sales:				
Japan				
Outside customer sales	**¥1,009,369**	¥ 815,039	¥ 785,253	**$ 8,592,568**
Intersegment transactions	**112,543**	99,464	87,271	**958,057**
	1,121,912	914,503	872,524	**9,550,625**
North America				
Outside customer sales	**246,129**	212,253	198,753	**2,095,250**
Intersegment transactions	**2,057**	1,126	1,113	**17,511**
	248,186	213,379	199,866	**2,112,761**
Europe				
Outside customer sales	**216,231**	188,669	167,512	**1,840,734**
Intersegment transactions	**5,689**	7,222	5,896	**48,429**
	221,920	195,891	173,408	**1,889,163**
Others				
Outside customer sales	**34,227**	25,577	12,861	**291,368**
Intersegment transactions	**3,999**	2,776	1,630	**34,043**
	38,226	28,353	14,491	**325,411**
Subtotal	**1,630,244**	1,352,126	1,260,289	**13,877,960**
Elimination of intersegment transactions	**(124,288)**	(110,588)	(95,910)	**(1,058,040)**
Total	**¥1,505,956**	¥1,241,538	¥1,164,379	**$12,819,920**
Operating costs and expenses:				
Japan	**¥1,069,137**	¥ 870,928	¥ 826,696	**$ 9,101,362**
North America	**241,468**	207,068	193,745	**2,055,572**
Europe	**217,371**	191,202	170,263	**1,850,438**
Others	**36,744**	27,713	14,623	**312,795**
Elimination of intersegment transactions	**(122,804)**	(108,493)	(93,579)	**(1,045,407)**
Total	**¥1,441,916**	¥1,188,418	¥1,111,748	**$12,274,760**
Operating income (loss):				
Japan	**¥ 52,775**	¥ 43,575	¥ 45,828	**$ 449,263**
North America	**6,718**	6,311	6,121	**57,189**
Europe	**4,549**	4,689	3,145	**38,725**
Others	**1,482**	640	(132)	**12,616**
Elimination of intersegment transactions	**(1,484)**	(2,095)	(2,331)	**(12,633)**
Total	**¥ 64,040**	¥ 53,120	¥ 52,631	**$ 545,160**

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Assets:				
Japan	**¥ 834,717**	¥ 788,828	¥ 643,180	**$ 7,105,788**
North America	**179,116**	151,048	136,830	**1,524,781**
Europe	**278,825**	264,274	238,388	**2,373,585**
Others	**48,207**	33,640	22,082	**410,377**
Corporate assets or elimination	**1,904,476**	1,089,034	971,515	**16,212,446**
Total	**¥3,245,341**	¥2,326,824	¥2,011,995	**$27,626,977**

Significant countries or areas belonging to each segment as of March 31, 2006 are as follows:

North America ..................................U.S.A., Canada
Europe ....Sweden, France, Germany
Others ....Australia, China, India

Corporate assets included in corporate assets or elimination consist mainly of cash and cash equivalents, short-term investments and investments in securities held by the Company.

(3) Overseas sales

For the years ended March 31, 2006, 2005 and 2004:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Overseas sales:				
North America	**¥ 247,958**	¥ 208,676	¥ 196,861	**$ 2,110,820**
Europe	**249,237**	225,409	211,081	**2,121,707**
Others	**123,751**	104,918	89,415	**1,053,469**
Total	**¥ 620,946**	¥ 539,003	¥ 497,357	**$ 5,285,996**
Total sales	**¥1,505,956**	¥1,241,538	¥1,164,379	**$12,819,920**
Ratio of overseas sales to total sales (%):				
North America	**16.5%**	16.8%	16.9%	
Europe	**16.5**	18.2	18.1	
Others	**8.2**	8.4	7.7	
Total	**41.2%**	43.4%	42.7%	

Significant countries or areas belonging to each segment as of March 31, 2006 are as follows:

North America ..................................U.S.A., Canada
Europe ....Germany, France, Italy
Others ....Australia, China, India

19. Related party transactions

The following trasactions were carried out with related parties:

(1) Sales of goods and services for the years ended March 31, 2006, 2005 and 2004 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Toyota Motor Corporation	**¥527,020**	¥414,235	¥406,267	**$4,486,422**

Toyota Motor Corporation held 24.02% of the Company's voting rights as of March 31, 2006. The above transactions were carried out on commercial terms and conditions.

(2) Purchase of goods and services for the years ended March 31, 2006, 2005 and 2004 were as follows:
Purchase of goods:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Toyota Motor Corporation	**¥370,566**	¥285,019	¥285,412	**$3,154,559**

Purchase of services:

	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
Toyota Industries Health Insurance Society	**¥62**	¥60	¥66	**$528**
Toyota Medical Corporation	**46**	46	37	**392**
Toyota Technological Institute	**50**	50	50	**426**

Toyota Industries Health Insurance Society's chairman as of March 31, 2006, 2005 and 2004 is Shiro Endo, who is a director of the Company and holds 0.01% of the Company's shares. Toyota Medical Corporation's chairman as of March 31, 2006, 2005 and 2004 is Yoshitoshi Toyoda, who is a director of the Company and holds 0.06% of the Company's shares. Toyota Technological Institute's chairman as of March 31, 2006, 2005 and 2004 is Tatsuro Toyoda, who is a director of the Company and holds 0.08% of the Company's shares. The transactions above were carried out on commercial terms and conditions.

(3) Outstanding balances arising from sale/purchase of goods/services as of March 31, 2006 and 2005 are as follows:
Receivables from a related party:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Toyota Motor Corporation	**¥32,600**	¥31,594	**$277,518**

Payable to a related party:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Toyota Motor Corporation	**¥46,965**	¥35,780	**$399,804**

20. Net income per share (EPS)

Basis of calculation for net income per share basic and net income per share diluted are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Net income per share basic:			
Net income	**¥ 47,077**	¥ 43,358	**$400,758**
Net income not attributable to common shareholders (bonuses for directors and corporate auditors that are paid through appropriation)	**432**	390	**3,678**
Net income attributable to common shareholders	**46,645**	42,968	**397,080**
Weighted-average shares (thousand)	**319,125**	318,079	**–**
Net income per share basic (exact yen amounts)	**¥ 146.16**	¥ 135.09	**$ 1.24**
Net income per share diluted:			
Weighted-average shares for diluted computation (thousand)	**315**	139	**–**
Net income per share diluted (exact yen amounts)	**¥ 146.02**	¥ 135.03	**$ 1.24**

Report of Independent Auditors

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

Dai Nagoya Building
3-28-12,Meieki,Nakamura-ku
Nagoya,450-8565 Japan

Report of Independent Auditors

To the Board of Directors and Shareholders of
Toyota Industries Corporation

We have audited the accompanying consolidated balance sheets of Toyota Industries Corporation and its consolidated subsidiaries as of March 31, 2005 and 2006, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2006, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Toyota Industries Corporation and its consolidated subsidiaries as of March 31, 2005 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2006 in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama PricewaterhouseCoopers

ChuoAoyama PricewaterhouseCoopers
Nagoya, Japan
June 22, 2006