Financial Section

Consolidated Eleven-Year Summary

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

	Millions of yen			
	2005	2004	2003	2002
For The Year				
Net sales	**¥1,241,538**	¥1,164,379	¥1,069,219	¥ 980,163
Operating income	**53,120**	52,631	52,478	46,330
Ordinary income	**70,913**	58,971	51,375	47,866
Income before income taxes	**70,354**	57,741	43,670	47,866
Net income	**43,358**	33,623	21,934	27,311
Overseas sales	**¥ 539,003**	¥ 497,357	¥ 451,594	¥ 396,470
Depreciation and amortization	**70,213**	65,352	59,154	55,174
Capital expenditures	**136,506**	89,509	87,559	88,320
Research and development expenses	**30,051**	29,562	29,705	29,985
Per share of common stock (yen, U.S. dollars):				
Net income — basic	**¥ 135.09**	¥ 108.04	¥ 70.19	¥ 87.28
Net income — diluted	**135.03**	101.97	62.90	78.26
Shareholders' equity	**3,504.80**	3,199.69	2,522.52	2,809.54
Cash dividends	**32.00**	24.00	22.00	19.00
At Year-End				
Total assets	**¥2,326,824**	¥2,011,995	¥1,650,391	¥1,770,401
Shareholders' equity	**1,115,747**	1,016,764	738,868	878,812
Common stock	**80,463**	80,463	68,047	68,022
Number of shares outstanding (excluding treasury stock) (thousands)	**318,237**	317,666	292,777	312,796
Cash Flows				
Net cash provided by operating activities	**¥ 100,095**	¥ 92,406	¥ 103,183	¥ 81,078
Net cash used in investing activities	**(128,231)**	(92,668)	(95,121)	(106,711)
Net cash provided by (used in) financing activities	**50,021**	(56,015)	57,776	1,225
Cash and cash equivalents at end of year	**100,536**	77,212	136,929	71,120
Indices				
Return on equity (ROE) (%)	**4.1**	3.8	2.7	3.0
Return on assets (ROA) (%)	**2.0**	1.8	1.3	1.5
Return on sales (ROS) (%)	**3.5**	2.9	2.1	2.8
Debt/equity ratio (%)	**34.4**	31.6	55.6	35.9
Interest coverage (times)	**7.7**	7.4	6.7	5.8
EBITDA (millions of yen, thousands of U.S. dollars)	**¥ 128,381**	¥ 113,676	¥ 95,472	¥ 97,540
Number of employees at year-end	**30,990**	27,431	25,030	23,056

Notes: 1. U.S. dollar amounts have been translated from yen, for convenience only, at the rate of ¥107.39 = US$1, the exchange rate on March 31, 2005.
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 on 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. Details are described in Notes to Consolidated Financial Statements.
(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
2001	2000	1999	1998	1997	1996	1995	2005
¥ 767,383	¥625,773	¥558,876	¥572,698	¥530,851	¥476,084	¥457,565	$11,561,021
47,304	28,867	24,814	32,729	32,675	19,926	16,796	494,646
44,525	27,162	23,172	33,202	31,157	21,560	16,775	660,332
38,220	27,162	23,172	33,202	31,157	21,560	16,775	655,126
22,637	13,686	10,391	20,491	17,931	13,549	10,638	403,743
¥ 298,794	¥191,992	¥178,737	¥150,417	¥116,738	¥119,358	¥ 99,835	$ 5,019,117
46,454	42,752	34,380	27,958	28,043	27,240	26,359	653,813
127,273	44,746	60,468	62,007	35,408	29,629	27,583	1,271,124
26,196	24,062	23,231	23,112	19,691	18,770	17,633	279,831
¥ 75.90	¥ 48.32	¥ 36.30	¥ 72.33	¥ 63.55	¥ 48.03	¥ 37.72	$ 1.26
67.77	43.18	32.62	63.48	55.20	47.13	37.10	1.26
3,036.77	1,116.62	1,063.05	1,056.81	996.18	947.04	905.89	32.64
17.00	16.00	16.00	16.00	16.00	13.00	13.00	0.30
¥1,869,642	¥685,914	¥617,071	¥593,004	¥556,291	¥454,503	¥427,206	$21,667,045
951,298	316,293	301,158	304,097	281,154	267,145	255,536	10,389,673
68,019	40,178	40,178	40,133	31,458	31,322	31,321	749,260
313,260	283,260	283,296	287,752	282,233	282,083	282,082	
¥ 78,413	¥ 68,058	¥ 44,133	¥ 50,952	¥ 51,327	N/A	N/A	$ 932,070
(155,871)	(67,187)	(96,222)	(26,897)	(74,968)	N/A	N/A	(1,194,068)
94,472	27,500	24,368	(12,918)	69,081	N/A	N/A	465,788
95,297	77,332	49,955	74,303	62,322	N/A	N/A	936,177
3.6	4.4	3.4	7.0	6.5	5.2	4.2	
1.8	2.1	1.7	3.6	3.6	3.1	2.5	
2.9	2.2	1.9	3.6	3.4	2.8	2.3	
30.7	60.5	51.6	37.5	46.0	20.4	20.2	
9.1	14.5	16.4	17.6	13.0	8.7	6.4	
¥ 79,921	¥ 64,681	¥ 51,033	¥ 55,212	¥ 55,548	¥ 44,830	¥ 41,502	$ 1,195,465
21,118	13,132	12,797	11,239	10,738	10,806	10,452	

(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 years, 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 2005.

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, 2005 is referred to as fiscal 2005 and other fiscal years are referred to in a corresponding manner. All references to the "Company" herein are to Toyota Industries Corporation, and references to "Toyota Industries" herein are to the Company and its 146 consolidated subsidiaries.

Results of Operations

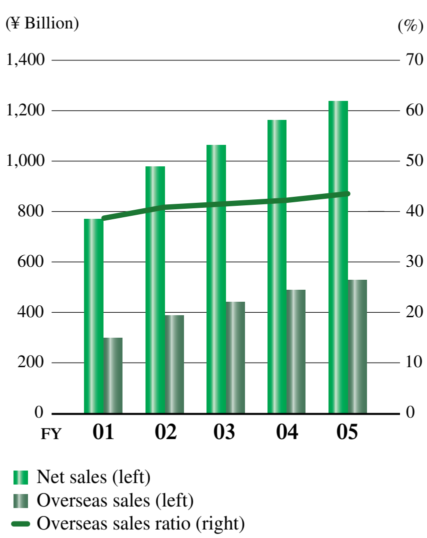
Operating Performance

In fiscal 2005, consumer spending did not fully recover due to unstable employment conditions. However, the Japanese economy continued on its slow path to recovery as private-sector capital investment increased on the back of improved corporate earnings. Overseas, the overall economic outlook was brighter, with an expanding U.S. economy and the European economy maintaining its underlying strengths.

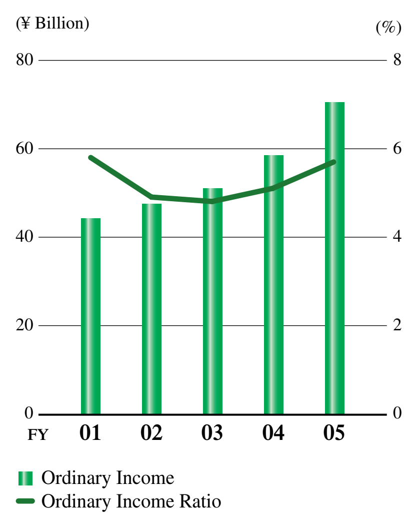
In this operating environment, Toyota Industries made efforts to strengthen its corporate structure by attempting to ensure customer trust through a dedication to quality, the development of appealing new products, aggressive sales promotions and execution of a Group-wide effort to reduce costs. As a result, total consolidated net sales of Toyota Industries amounted to ¥1,241.5 billion, an increase of ¥77.2 billion (6.6%) over fiscal 2004. (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 ¥70.9 billion, an increase of ¥11.9 billion (20.3%) over fiscal 2004. Despite the effects of a steep rise in crude oil and steel prices, increases in labor and pre-production expenses and unfavorable exchange rate fluctuations, this increase was largely achieved due to an increase in global sales centered on the Materials Handling Equipment Segment, improvements in productivity and Group-wide cost-reduction activities, as well as a strong performance by ST Liquid Crystal Display Corp. (STLCD), a joint venture with Sony Corporation (Sony) that is accounted for by the equity method. Net income amounted to ¥43.4 billion, an increase of ¥9.7 billion (29.0%) over fiscal 2004.

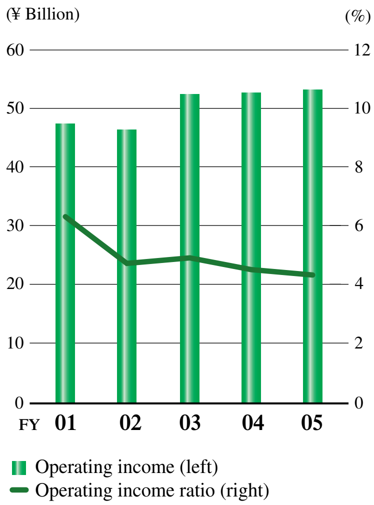
Net Sales, Overseas Sales and Overseas Sales Ratio



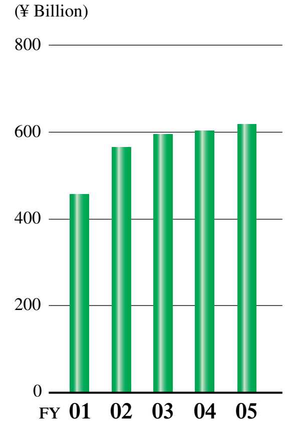
Ordinary Income and Ordinary Income Ratio



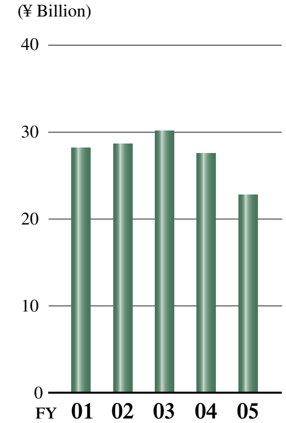
Operating Income and Operating Income Ratio



Net Sales of Automobile Segment



Operating Income of Automobile Segment



Cost of Sales and Selling, General and Administrative Expenses

Cost of sales for fiscal 2005 increased ¥63.3 billion (6.5%) over fiscal 2004 to ¥1,041.8 billion, due mainly to an increase in net sales.

Selling, general and administrative expenses increased ¥13.3 billion (10.0%) to ¥146.6 billion, due mainly to an increase in selling expenses accompanied by an increase in net sales, as well as the introduction of pro forma standard taxation.

Operating Income

Operating income for fiscal 2005 increased ¥0.5 billion (0.9%) over fiscal 2004 to ¥53.1 billion. Despite a decrease in operating income by the Company, overall operating income increased due primarily to the brisk performance of Toyota Industries' subsidiaries.

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

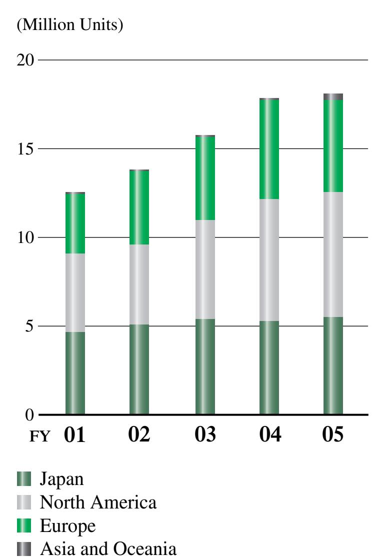
Net sales of the Automobile Segment totaled ¥616.2 billion, an increase of ¥12.3 billion (2.0%) over fiscal 2004. However, operating income decreased ¥4.8 billion (17.3%) to ¥22.8 billion.

In the automobile industry as a whole, domestic sales were almost the same as in fiscal 2004. Domestic production, on the other hand, increased over the same period.

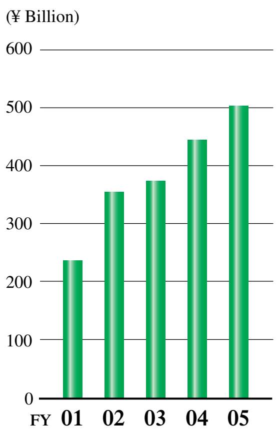
Within this segment, net sales of the Vehicle Business totaled ¥278.8 billion, almost the same as in fiscal 2004. While sales of the Corolla Sedan for North America and Yaris (European version of the Vitz) decreased, sales of the RAV4 for Europe increased. Sales of the fully remodeled Vitz, which was re-launched in Japan in February 2005, also contributed to overall results.

Net sales of the Engine Business totaled ¥113.3 billion, an increase of ¥5.9 billion (5.5%) over fiscal 2004. Despite decreases in sales of the UZ gasoline engine, which is mounted on the Land Cruiser, and the AZ gasoline engine, which is installed in the Estima, sales of the CD diesel engine, which is mounted on TOYOTA-brand cars for Europe, such as the RAV4 and Avensis, increased. Toyota Industry Automotive Parts (Kunshan) Co., Ltd. in Jiangsu Province, China, which was established as a joint venture with Toyota Tsusho Corporation and Lioho Machine Works, Ltd. to produce and sell automotive foundry parts, began operations in April 2005. Also, Toyota

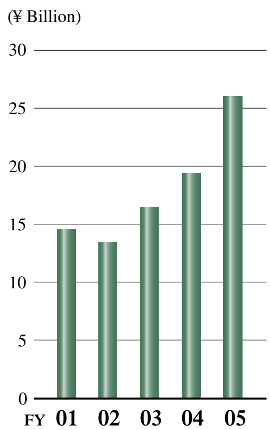
Car Air-Conditioning Compressor Unit Sales



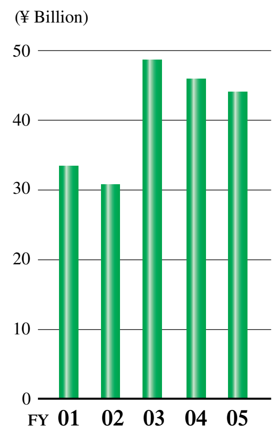
Net Sales of Materials Handling Equipment Segment



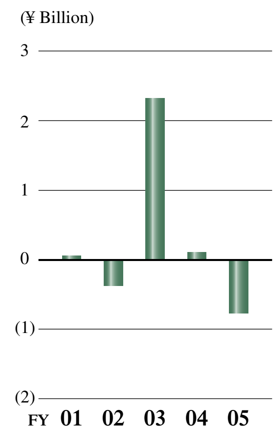
Operating Income of Materials Handling Equipment Segment



Net Sales of Textile Machinery Segment



Operating Income (Loss) of Textile Machinery Segment



Motor Industries Poland Sp.zo.o., jointly established with Toyota Motor Corporation (TMC) in October 2002, started production of the latest AD diesel engine to be mounted on the Avensis, which is assembled in England by TMC.

Net sales of the Car Air-Conditioning Compressor Business totaled ¥198.0 billion, approximately the same level as for fiscal 2004. While sales in the domestic market increased as a result of an increase in models incorporating our car air-conditioning compressors, sales overseas suffered due mainly to sluggish sales of some automobiles fitted with our products. In July 2004, the Company and DENSO Corporation (DENSO) jointly established TD Automotive Compressor Georgia, LLC (TACG) in Georgia, the United States, as a plant manufacturing variable-displacement compressors. TACG is slated to start plant operations in December 2005. In April 2004, our cumulative production of car air-conditioning compressors in Japan, North America and Europe reached 200 million units since we commenced production in 1960.

Materials Handling Equipment Segment

Net sales of the Materials Handling Equipment Segment increased ¥60.5 billion (13.7%) over fiscal 2004 to ¥504.0 billion. Operating income increased ¥6.7 billion (34.8%) to ¥26.1 billion.

In the materials handling equipment industry as a whole, sales increased substantially over fiscal 2004. Sales were strong in the Japanese market thanks to an improvement in private-sector capital investment, while the global economic recovery contributed to brisk sales in overseas markets.

Toyota Material Handling Company (TMHC), our in-house company, sold more than 103,000 TOYOTA-brand lift trucks and other materials handling equipment in calendar year 2004, an increase of 21% over the same period in 2003. This increase was due largely to the implementation of a variety of sales measures, such as proposal-based sales, in Japan, as well as the enhancement of the global sales network, especially in North America, Europe, Asia and South America, and vigorous sales promotion activities targeting major clients. This marked a world first for a single brand to sell more than 100,000 units in a single year. TMHC achieved a 42.6% share in the Japanese lift truck market in 2004, the same percentage as in 2003. In August 2004, we enhanced our product lineup with the re-introduction of all 14 models of large lift trucks (10-ton to 24-ton) after a full model change.

During the same period, BT Industries AB, one of our subsidiaries and a major manufacturer of warehouse trucks, achieved a substantial increase in sales on the back of vigorous sales activities and strong sales in North American and European markets.

Textile Machinery Segment

Net sales of the Textile Machinery Segment decreased ¥2.1 billion (4.5%) from fiscal 2004 to ¥43.9 billion. This segment posted an operating loss of ¥0.8 billion, a decrease of ¥0.9 billion (871.0%).

In the textile machinery industry, the mainstay Chinese market showed signs of recovery. However, the lingering effects of monetary tightening and other factors contributed to a lack in dynamism in terms of capital investment.

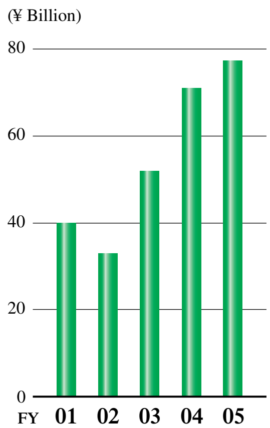
Although orders for spinning frames from Pakistan increased, a decrease in orders for air-jet looms from China, as well as a decrease in orders for water-jet looms due to high prices of synthetic yarns arising from a drastic hike in crude oil prices worldwide, were incurred.

Others Segment

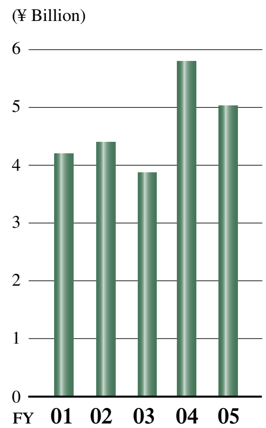
Net sales of the Others Segment increased ¥6.3 billion (8.9%) over fiscal 2004 to ¥77.4 billion. Operating income decreased ¥0.5 billion (8.8%) to ¥5.2 billion.

TIBC Corporation, a joint venture with Ibiden Co., Ltd.

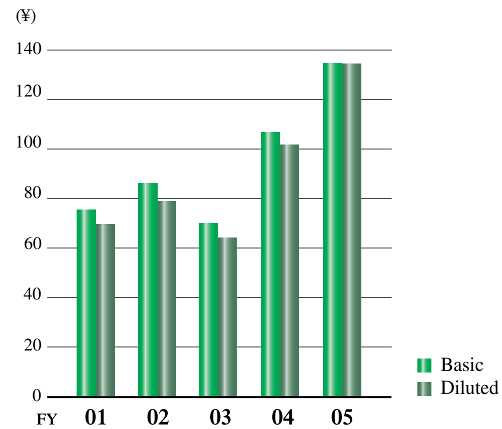
Net Sales of Others Segment



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



Net Income per Share



(Ibiden) that manufactures and sells semiconductor plastic package substrates, underwent strong demand for plastic package substrates for personal computers.

As one core business for driving future growth, Toyota Industries entered the Logistics Solutions Business, which undertakes all phases of logistics from logistics planning to the operation of distribution centers for the purpose of reducing logistics costs for customers. Sales of this business are steadily expanding. To expand the scope of services available in this business, Toyota Industries made Asahi Security Co., Ltd. (Asahi Security) into one of its subsidiaries in March 2005. The company provides comprehensive cash management outsourcing services, including cash collection and delivery, sales proceeds management and electronic security, to retailers, service businesses and transportation operators.

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 totaled ¥815.0 billion, an increase of ¥29.8 billion (3.8%) over fiscal 2004, due largely to an increase in sales volume of materials handling equipment. On the other hand, operating income decreased ¥2.3 billion (4.9%) to ¥43.6 billion as a result of an increase in prices of raw materials.

North America

Net sales amounted to ¥212.3 billion, an increase of ¥13.5 billion (6.8%) over fiscal 2004. Operating income increased ¥0.2 billion (3.1%) to ¥6.3 billion. These increases were due primarily to higher sales volumes by lift truck-manufacturing subsidiaries.

Europe

Net sales increased ¥21.2 billion (12.6%) over fiscal 2004 to ¥188.7 billion. Operating income was ¥4.7 billion, an increase of ¥1.5 billion (49.1%). Both increases resulted from an increase in sales volumes by lift truck-manufacturing subsidiaries.

Others

Net sales were ¥25.6 billion, an increase of ¥12.7 billion (98.9%) over fiscal 2004. Operating income amounted to ¥0.6 billion, a turnaround of ¥0.8 billion (584.8%) from an operating loss recorded in the previous fiscal year.

Non-Operating Income and Expenses

Non-operating income for fiscal 2005 totaled ¥38.3 billion, an increase of ¥8.1 billion (26.8%) over fiscal 2004. This increase resulted mainly from an increase in dividends income from TMC and higher equity in earnings of STLCD.

Non-operating expenses decreased ¥3.4 billion (14.1%) from fiscal 2004 to ¥20.5 billion, due mainly to decreases arising from an exchange loss and a loss on disposal of fixed assets.

Income before Income Taxes

Income before income taxes increased ¥12.6 billion (21.8%) over fiscal 2004 to ¥70.4 billion, attributable primarily to an increase in ordinary income and a decrease in provision for retirement and severance benefits for directors and corporate auditors posted in fiscal 2004.

Income Taxes

Income taxes totaled ¥22.3 billion, an increase of ¥1.5 billion (7.3%) over fiscal 2004. An increase in income taxes at subsidiaries offset a decrease in income taxes at the Company.

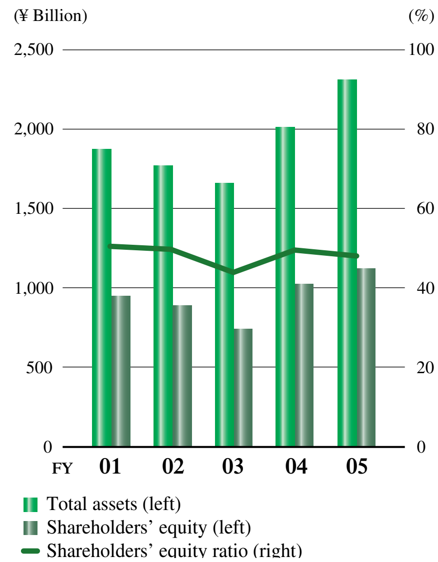
Minority Interest in Consolidated Subsidiaries

Minority interest in consolidated subsidiaries increased ¥1.4 billion (40.7%) over fiscal 2004 to ¥4.7 billion, due primarily to robust business performance of subsidiaries.

Net Income

Net income totaled ¥43.4 billion, an increase of ¥9.7 billion (29.0%) over fiscal 2004. Net income per share was ¥135.09, compared with ¥108.04 in fiscal 2004. Diluted net income per share increased from ¥101.97 in fiscal 2004 to ¥135.03.

Total Assets, Shareholders' Equity and Shareholders' Equity Ratio



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, 2005.

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 2005 amounted to ¥2,326.8 billion, an increase of ¥314.8 billion (15.6%) over the end of fiscal 2004. This increase was attributable mainly to an increase in investments and other assets as well as the inclusion of Asahi Security into consolidation.

Current assets increased ¥113.1 billion (32.3%) from the previous fiscal year-end to ¥463.0 billion. This increase primarily reflected an increase in trade notes and accounts receivable as well as the inclusion of Asahi Security into consolidation.

Property, plant and equipment increased ¥67.7 billion (17.4%) to ¥457.1 billion. Intangible assets increased ¥17.1 billion (17.1%) to ¥117.0 billion due to an increase in goodwill.

Investments and other assets increased ¥117.0 billion (10.0%) to ¥1,289.8 billion. This increase was mainly the result of an increase in the market prices of shares of Toyota Group companies, including TMC, held by Toyota Industries.

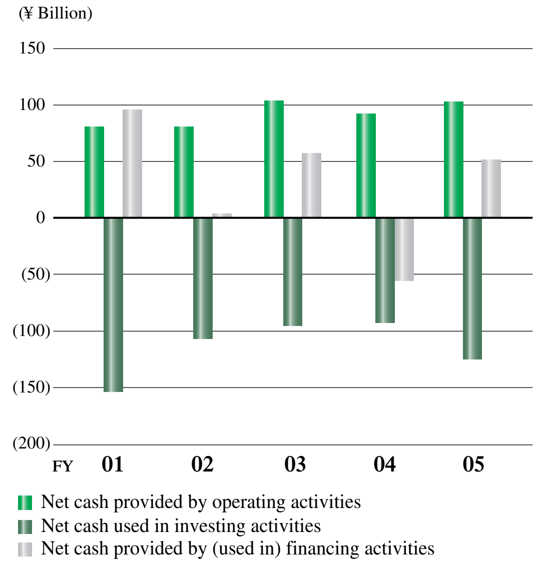
On the liabilities side, current liabilities increased ¥95.2 billion (29.2%) from the previous fiscal year-end to ¥421.5 billion. This increase was due mainly to an increase in trade notes and accounts payable as well as the inclusion of Asahi Security into consolidation.

Long-term liabilities amounted to ¥748.6 billion, an increase of ¥114.7 billion (18.1%) over the previous fiscal year-end. This was due chiefly to an increase in deferred tax liabilities as a result of an increase in the market value of investment securities.

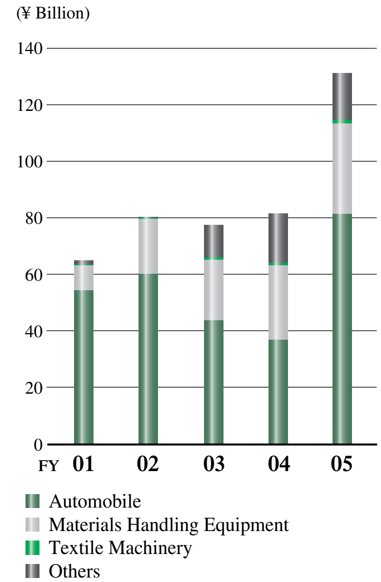
Minority interest in consolidated subsidiaries increased ¥6.0 billion (17.1%) to ¥40.9 billion.

Shareholders' equity increased ¥99.0 billion (9.7%) to ¥1,115.7 billion. This was mainly because of an increase of ¥57.1 billion in net unrealized gains on other securities in response to an increase in the market value of investment securities. The ratio of shareholders' equity to total assets decreased to 48.0% from 50.5% at the end of the previous fiscal year, while shareholders' equity per share at year-end increased to ¥3,504.80 from ¥3,199.69.

Cash Flows



Investment in Property, Plant and Equipment



Cash Flows

Cash flows from operating activities amounted to ¥100.1 billion in fiscal 2005, due largely to income before income taxes amounting to ¥70.4 billion. Net cash provided by operating activities increased ¥7.7 billion from ¥92.4 billion in fiscal 2004. Cash flows from investing activities resulted in a decrease in cash of ¥128.2 billion in fiscal 2005, attributable primarily to payments for purchases of property, plant and equipment amounting to ¥110.1 billion. Net cash used in investing activities increased ¥35.6 billion from ¥92.7 billion for fiscal 2004. Cash flows from financing activities resulted in an increase in cash of ¥50.0 billion in fiscal 2005, due mainly to proceeds from issuances of bonds in an amount of ¥50.0 billion. Net cash provided by financing activities increased ¥106.0 billion from ¥56.0 billion in net cash used in financing activities for fiscal 2004.

After translation adjustments, cash and cash equivalents as of March 31, 2005 stood at ¥100.5 billion, an increase of ¥23.3 billion (30.2%) over fiscal 2004.

Investment in Property, Plant and Equipment

During fiscal 2005, Toyota Industries invested in property, plant and equipment in the amount of ¥131,296 million (including ¥19,974 million in vehicles and materials handling equipment for lease) for the primary purposes of new product launches, streamlining and renewal of production equipment, and augmentation of R&D facilities. Necessary funds were provided by a portion of bonds, treasury stock and bank loans.

By segment, investments in property, plant and equipment totaled ¥81,554 million in the Automobile Segment, ¥31,860 million in the Materials Handling Equipment Segment, ¥1,236 million in the Textile Machinery Segment and ¥16,646 million in the Others Segment.

Strategies and Outlook

Business Strategies

Since its establishment as a specialized textile machinery manufacturer in 1926, Toyota Industries has steadily expanded the scope of its businesses. Its operations are divided into three strategic categories based on the characteristics of these operations and the mission assigned to each.

First Category: Vehicle Business and Engine Business

<Mission>

As a member of the Toyota Group, to contribute to the high quality and technological advances of TOYOTA cars, thus expanding our market presence.

Second Category: Car Air-Conditioning Compressor Business, Materials Handling Equipment Business and Textile Machinery Business

<Mission>

To aggressively cultivate and expand global markets through the design and development of products using Toyota Industries' unique technologies. The Car Air-Conditioning Compressor Business and Materials Handling Equipment Business, in particular, serve as core businesses driving the growth of our operations.

Third Category: Electronics Business, Logistics Solutions Business and Other Businesses, etc.
<Mission>
To be a key source of Toyota Industries' future growth.

The first category, the Vehicle Business and the Engine Business, handles mainly the production of vehicles consigned by TMC and the production of engines for TOYOTA cars. Determined to play a more important role in the Toyota Group, Toyota Industries is making ongoing efforts to improve its production technologies and strengthen quality control. While contributing to the further development of the Toyota Group, these two businesses also serve as the foundation intrinsic to Toyota Industries' growth.

Toyota Industries remains committed to strengthening its R&D capability and improving productivity as it strives to take a more proactive approach to the development and production of TOYOTA cars and engines. Toyota Industries will also make proposals to TMC for the design and launch of auto parts and small cars, and actively work to ensure such proposals are adopted. In the Engine Business, Toyota Industries will contribute to TMC's global strategy, especially in Europe, by supplying its diesel engines to TMC. Through such strategies and actions, Toyota Industries fully expects to expand its market presence.

The second category comprises the Car Air-Conditioning Compressor Business, the Materials Handling Equipment Business and the Textile Machinery Business. In these businesses, Toyota Industries will aim to cultivate global markets by accurately pinpointing customer needs and applying our proprietary technologies to develop and sell products tailored to these needs. Recognizing that technological improvement is the key to competitiveness, Toyota Industries strives to strengthen its technological development capabilities by nurturing superior engineers. Because our Car Air-Conditioning Compressor Business and the Materials Handling Equipment Business are positioned as core businesses, Toyota Industries intends to concentrate its allocation of management resources toward these businesses. In the Materials Handling Equipment Business, we will move toward the further integration of TOYOTA Material Handling Company and the BT Industries Group, as we strive to create additional synergies.

The third category primarily consists of the Electronics Business and the Logistics Solutions Business. Toyota Industries will give these businesses priority in allocating management resources, with the aim of cultivating these into future core businesses. Electronics-related businesses, principally involving power electronics parts for automobiles, consumer electronics and LCDs, are characterized by rapid advances in technological innovation that require a stronger R&D capability and ongoing capital investment to maintain competitiveness. The key to success in this field is to get production on track quickly, improve the product rejection rate and achieve a quick return on investment. To participate in the Electronics Business and expand operations within a short period of time along with diversifying the risks of entering new areas of this business, Toyota Industries has carried out independent product development, while also establishing successful joint ventures with Sony and Ibiden. In relation with conducting R&D on power electronics parts for automobiles, radio tuners and organic light-emitting diodes, we envision the Electronics Business as a key source of future corporate growth.

In recent years, Japanese industries have been increasingly moving toward outsourcing of product distribution and storage functions to reduce logistics costs. Viewing this trend as an opportunity, Toyota Industries launched the Logistics Solutions Business in Japan. Backed by our extensive materials handling know-how accumulated through the production and sales of lift trucks and other materials handling equipment, we strive to offer customer-oriented proposals for optimized logistics and cost reduction. Toyota Industries intends to proactively allocate management resources to the Logistics Solutions Business to build it into a new source of stable revenues in the years ahead.

Outlook for Results for Fiscal 2006

Toyota Industries expects the Japanese economy to continue along a steady path toward recovery. However, the pace of recovery will likely remain slow, and temporary economic stagnation is anticipated due to a correction phase. Conversely, uncertainties persist regarding the fluctuations of exchange rates and the rising prices of raw materials such as crude oil and steel in Japan and abroad. Overseas, concerns over the deceleration of the U.S., European and Chinese economies preclude optimism.

For fiscal 2006, ending March 31, 2006, Toyota Industries forecasts consolidated net sales of ¥1,450.0 billion, ordinary income of ¥75.0 billion and net income of ¥45.0 billion. We are determined to heighten the comprehensive capabilities of Toyota Industries as a whole through the development of appealing new products with an unwavering emphasis on quality, as well as the enhancement of sales, service and cost-reduction activities Group-wide.

Our projections are based on an exchange rate of ¥105.0=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, 2005, approved a year-end cash dividend of ¥19.0 per share. Including the interim cash dividend of ¥13.0 per share, cash dividends for the year totaled ¥32.0 per share, an increase of ¥8.0 per share over fiscal 2004.

The dividend payout ratio was 39.1%. On a consolidated basis, it was 23.7%.

The Company 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 2005, net sales to TMC accounted for 33.4% of consolidated net sales. Therefore, TMC's vehicle sales could have an impact on Toyota Industries' business results. As of March 31, 2005, TMC held 24.1% 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 environment-related 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

At the end of fiscal 2005, Toyota Industries held 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 this period, 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 disruptions. 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, 2005, Toyota Industries held 5.45% (196,725 thousand shares) of TMC's total shares issued. Likewise, as of the same date, TMC held 24.10% (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 2005, our net sales to TMC and DENSO accounted for 33.4% and 8.5% 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
As of March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents	¥ 100,536	¥ 77,212	$ 936,177
Trade notes and accounts receivable (Note 7)	173,459	144,575	1,615,225
Short-term investments	199	228	1,853
Inventories (Note 5)	94,024	77,574	875,538
Deferred tax assets (Note 15)	20,379	17,534	189,766
Other current assets	76,729	35,128	714,488
Less — allowance for doubtful accounts	(2,352)	(2,337)	(21,901)
Total current assets	462,974	349,914	4,311,146
Fixed assets:			
Property, plant and equipment:			
Buildings and structures (Note 7)	132,419	124,423	1,233,066
Machinery, equipment and vehicles (Note 7)	185,425	160,787	1,726,651
Tools, furniture and fixtures	18,834	15,565	175,380
Land (Note 7)	78,659	71,787	732,461
Construction in progress	41,742	16,835	388,695
Total property, plant and equipment	457,079	389,397	4,256,253
Intangible assets:			
Software	12,411	11,993	115,569
Goodwill	104,561	87,863	973,657
Total intangible assets	116,972	99,856	1,089,226
Investments and other assets:			
Investments in securities (Notes 4 and 7)	1,198,337	1,095,031	11,158,739
Investments in unconsolidated subsidiaries and affiliated companies	31,063	23,208	289,254
Long-term loans	9,804	9,756	91,294
Long-term prepaid expenses	13,219	13,554	123,093
Deferred tax assets (Note 15)	7,234	3,538	67,362
Other investments and other assets	30,473	27,991	283,760
Less — allowance for doubtful accounts	(331)	(250)	(3,082)
Total investments and other assets	1,289,799	1,172,828	12,010,420
Total fixed assets	1,863,850	1,662,081	17,355,899
Total assets	¥2,326,824	¥2,011,995	$21,667,045

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

LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Trade notes and accounts payable	¥ 160,231	¥ 129,822	$ 1,492,048
Short-term bank loans (Note 7)	59,945	70,442	558,199
Commercial paper	–	15,000	–
Current portion of bonds (Note 7)	20,300	–	189,031
Other payables	45,462	19,067	423,336
Accrued expenses	59,357	51,587	552,724
Accrued income taxes	15,297	8,845	142,443
Deposits received from employees	20,055	19,497	186,749
Deferred tax liabilities (Note 15)	4,067	2,743	37,871
Other current liabilities (Note 7)	36,826	9,334	342,918
Total current liabilities	421,540	326,337	3,925,319
Long-term liabilities:			
Bonds (Note 6)	230,000	200,300	2,141,726
Long-term debt (Notes 6 and 7)	73,492	35,225	684,347
Deferred tax liabilities (Note 15)	381,787	346,336	3,555,145
Allowance for retirement benefits (Note 14)	44,463	34,264	414,033
Other long-term liabilities	18,891	17,843	175,910
Total long-term liabilities	748,633	633,968	6,971,161
Total liabilities	1,170,173	960,305	10,896,480
Minority interests in consolidated subsidiaries	40,904	34,926	380,892
Shareholders' equity (Note 10)**:**			
Common stock:			
Authorized — 1,091,245,000 shares			
Issued — 325,840,640 shares in 2005 and 325,840,640 shares in 2004	80,463	80,463	749,260
Capital surplus	105,601	105,743	983,341
Retained earnings	325,331	294,672	3,029,435
Net unrealized gains on other securities	591,218	534,079	5,505,335
Foreign currency translation adjustments	29,861	19,783	278,061
Treasury stock at cost — 7,603,825 shares in 2005 and 8,174,958 shares in 2004	(16,727)	(17,976)	(155,759)
Total shareholders' equity	1,115,747	1,016,764	10,389,673
Total liabilities, minority interests and shareholders' equity	¥2,326,824	¥2,011,995	$21,667,045

Consolidated Statements of Income

Toyota Industries Corporation
For the years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Net sales	¥1,241,538	¥1,164,379	¥1,069,219	$11,561,021
Cost of sales (Note 11)	1,041,780	978,459	899,702	9,700,903
Gross profit	199,758	185,920	169,517	1,860,118
Selling, general and administrative expenses (Note 11)	146,638	133,289	117,039	1,365,472
Operating income	53,120	52,631	52,478	494,646
Non-operating income:				
Interest income	8,160	8,175	8,985	75,985
Dividends income	13,761	10,998	8,888	128,140
Equity in net earnings of unconsolidated subsidiaries and affiliated companies	6,805	1,842	–	63,367
Other non-operating income (Note 12)	9,558	9,169	8,461	89,003
Non-operating expenses:				
Interest expenses	(9,735)	(9,756)	(10,522)	(90,651)
Equity in net loss of unconsolidated subsidiaries and affiliated companies	–	–	(4,634)	–
Other non-operating expenses (Note 12)	(10,756)	(14,088)	(12,281)	(100,158)
Ordinary income	70,913	58,971	51,375	660,332
Extraordinary gains:				
Gain on transfer to a defined contribution pension plan	–	621	–	–
Extraordinary losses:				
Impairment loss of fixed assets (Note 9)	(559)	–	–	(5,206)
Provision for retirement and severance benefits for directors and corporate auditors	–	(1,851)	–	–
Revalued loss of investment securities	–	–	(4,298)	–
Loss on disposal of property, plant and equipment	–	–	(3,407)	–
Income before income taxes and minority interests	70,354	57,741	43,670	655,126
Income taxes — current (Note 15)	26,809	23,967	28,121	249,641
Income taxes — deferred (Note 15)	(4,557)	(3,220)	(7,304)	(42,434)
Minority interests in consolidated subsidiaries	4,744	3,371	919	44,176
Net income	¥ 43,358	¥ 33,623	¥ 21,934	$ 403,743

	Yen			U.S. dollars
Net income per share — basic (Note 20)	¥135.09	¥108.04	¥70.19	$1.26
Net income per share — diluted (Note 20)	135.03	101.97	62.90	1.26
Cash dividends per share	32.00	24.00	22.00	0.30

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

Consolidated Statements of Shareholders' Equity

Toyota Industries Corporation
For the years ended March 31, 2005, 2004 and 2003

	Number of shares (Thousands)	Millions of yen: Common stock	Capital surplus	Retained earnings	Net unrealized gains (losses) on other securities	Translation adjustments	Treasury stock at cost
Balance at March 31, 2002	313,299	¥68,022	¥ 89,327	¥253,975	¥456,415	¥12,361	¥ (1,288)
Net income	–	–	–	21,934	–	–	–
Cash dividends	–	–	–	(6,246)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(282)	–	–	–
Net unrealized losses on other securities	–	–	–	–	(124,747)	–	–
Foreign currency translation adjustments	–	–	–	–	–	4,529	–
Conversions of convertible bonds	25	25	25	–	–	–	–
Repurchase of treasury stock	–	–	–	–	–	–	(35,195)
Gain on disposal of treasury stock	–	–	13	–	–	–	–
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	–	–	–	–	–	–	1,302
Loss on disposal of treasury stock	–	–	(142)	–	–	–	–
Effect of adoption of a new accounting standards 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)**

	Thousands of U.S. dollars (Note 1): Common stock	Capital surplus	Retained earnings	Net unrealized gains on other securities	Translation adjustments	Treasury stock at cost
Balance at March 31, 2004	$749,260	$984,663	$2,743,943	$4,973,266	$184,216	$(167,390)
Net income	–	–	403,743	–	–	–
Cash dividends	–	–	(74,020)	–	–	–
Bonuses to directors and corporate auditors	–	–	(3,082)	–	–	–
Net unrealized gains on other securities	–	–	–	532,069	–	–
Foreign currency translation adjustments	–	–	–	–	93,845	–
Repurchase of treasury stock	–	–	–	–	–	(494)
Exercise of stock options	–	–	–	–	–	12,125
Loss on disposal of treasury stock	–	(1,322)	–	–	–	–
Effect of adoption of a new accounting standards for retirement benefits by foreign subsidiaries	–	–	(41,149)	–	–	–
Balance at March 31, 2005	**$749,260**	**$983,341**	**$3,029,435**	**$5,505,335**	**$278,061**	**$(155,759)**

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

Consolidated Statements of Cash Flows

Toyota Industries Corporation
For the years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	2005
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 70,354	¥ 57,741	¥ 43,670	$ 655,126
Adjustments to reconcile income before income taxes to net cash provided by operating activities:				
Depreciation and amortization	70,213	65,352	59,154	653,813
Impairment loss of fixed assets	559	–	–	5,206
Increase in allowance for doubtful accounts	371	46	220	3,455
Interest and dividends income	(21,921)	(19,173)	(17,874)	(204,125)
Interest expenses	9,735	9,756	10,522	90,651
Equity in net (earnings) loss of affiliates	(6,805)	(1,842)	4,634	(63,367)
Increase in receivables	(22,923)	(11,051)	(7,406)	(213,456)
(Increase) decrease in inventories	(12,851)	751	1,253	(119,667)
Increase in payables	26,893	2,631	5,431	250,423
Others, net	(4,063)	9,741	20,416	(37,834)
Subtotal	109,562	113,952	120,020	1,020,225
Interest and dividends income received	21,972	18,900	17,983	204,600
Interest expenses paid	(8,711)	(9,845)	(10,945)	(81,115)
Income taxes paid	(22,728)	(30,601)	(23,875)	(211,640)
Net cash provided by operating activities	100,095	92,406	103,183	932,070
Cash flows from investing activities:				
Payments for purchases of marketable securities	–	(101)	(1,664)	–
Proceeds from sales of marketable securities	–	3,874	8,447	–
Payments for purchases of property, plant and equipment	(110,112)	(78,268)	(86,703)	(1,025,347)
Proceeds from sales of property, plant and equipment	10,043	3,201	749	93,519
Payments for purchases of investment securities	(9,563)	(14,301)	(21,896)	(89,049)
Proceeds from sales of investment securities	3,300	2,615	9,792	30,729
Proceeds from acquisition of subsidiaries' stock resulting in change in scope of consolidation	–	1,216	944	–
Payments for acquisition of subsidiaries' stock resulting in change in scope of consolidation	(16,943)	–	–	(157,771)
Payments for loans made	(2,371)	(4,978)	(1,664)	(22,078)
Proceeds from collections of loans	2,784	5,448	2,931	25,924
Payments for acquisition of business	–	(961)	–	–
Others, net	(5,369)	(10,413)	(6,057)	(49,995)
Net cash used in investing activities	(128,231)	(92,668)	(95,121)	(1,194,068)
Cash flows from financing activities:				
(Decrease) increase in short-term loans	(13,687)	(10,959)	5,886	(127,451)
(Decrease) increase in commercial paper	(15,000)	15,000	–	(139,678)
Proceeds from long-term bank loans	40,786	4,522	21,797	379,793
Repayments of long-term bank loans	(6,964)	(8,530)	(9,808)	(64,848)
Proceeds from issuances of bonds	50,000	–	79,690	465,593
Repayments of bonds	–	(31,677)	–	–
Payments to convertible bond redemption funds	–	(56,670)	–	–
Proceeds from convertible bond redemption funds	–	56,670	–	–
Payments for repurchase of treasury stock	(53)	(17,094)	(35,195)	(494)
Cash dividends paid	(7,949)	(7,414)	(6,244)	(74,020)
Cash dividends paid to minority shareholders	(667)	(252)	(195)	(6,211)
Others, net	3,555	389	1,845	33,104
Net cash provided by (used in) financing activities	50,021	(56,015)	57,776	465,788
Translation adjustments of cash and cash equivalents	1,439	323	(29)	13,400
Net increase (decrease) in cash and cash equivalents	23,324	(55,954)	65,809	217,190
Cash and cash equivalents at beginning of year	77,212	136,929	71,120	718,987
Net decrease in cash and cash equivalents due to change in subsidiaries' year-ends	–	(3,763)	–	–
Cash and cash equivalents at end of year	¥100,536	¥ 77,212	¥136,929	$ 936,177

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 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 ¥107.39=US$1, the rate of exchange prevailing at March 31, 2005, 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 146 subsidiaries (43 domestic subsidiaries and 103 overseas subsidiaries, which are listed on pages 62 and 63) in 2005, 140 subsidiaries (42 domestic subsidiaries and 98 overseas subsidiaries) in 2004 and 118 subsidiaries (33 domestic subsidiaries and 85 overseas subsidiaries) in 2003.

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 merger and acquisition.

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

For the year ended March 31, 2003, eight subsidiaries were newly added to the scope of consolidation and one company was excluded from the scope of the consolidation. Two unconsolidated subsidiaries were 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 20 major affiliates in 2005, one unconsolidated subsidiary and 19 major affiliates in 2004 and two unconsolidated subsidiaries and 16 major affiliates in 2003 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 63.

(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, 2005 and 2004.

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 overseas subsidiaries.

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

Accumulated depreciation as of March 31, 2005 and 2004 was ¥541,383 million (US$5,041,279 thousand) and ¥509,379 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. Goodwill incurred before April 1, 2000 has been amortized over five years on a straight-line basis.

Accumulated amortization of intangibles and goodwill as of March 31, 2005 and 2004 was ¥42,637 million (US$397,030 thousand) and ¥30,743 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 condition of each company.

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

(10) Allowance 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 rule 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 rule, 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. The change in accounting policy is described in Note 3.

3. Changes in accounting policies and adoption of new accounting standards

(1) For the year ended March 31, 2003

Accounting Standard for Earnings Per Share

Effective beginning the year ended March 31, 2003, Financial Accounting Standard No. 2 "Accounting Standard for Earnings Per Share" and Financial Accounting Standards Implementation Guidance No. 4 "Implementation Guidance for Accounting Standards for Earnings Per Share" issued by the Accounting Standards Board of Japan have been applied. The impact of adoption for new accounting standards is described in "Note 20. Net income per share."

(2) For the year ended March 31, 2005

Impairment of Fixed Assets

Toyota Industries 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 shall be effective for fiscal years beginning on and after April 1, 2005, is 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, 2005

(a) Other securities with readily determinable fair value as of March 31, 2005 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	¥191,932	¥1,177,188	¥985,256	$1,787,243	$10,961,803	$9,174,560
Subtotal	191,932	1,177,188	985,256	1,787,243	10,961,803	9,174,560
Securities with carrying amount not exceeding acquisition cost:						
Stocks	3,348	2,911	(437)	31,176	27,107	(4,069)
Bonds						
Government and municipal bonds, etc.	0	0	0	0	0	0
Other bonds	1	1	0	9	9	0
Subtotal	3,349	2,912	(437)	31,185	27,116	(4,069)
Total	¥195,281	¥1,180,100	¥984,819	$1,818,428	$10,988,919	$9,170,491

In this year, Toyota Industries recorded ¥35 million (US$326 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, 2005 are as follows:

Millions of yen			Thousands of U.S. dollars		
Proceeds	Realized gains	Realized losses	Proceeds	Realized gains	Realized losses
¥3,189	¥1,789	¥32	$29,696	$16,659	$298

(c) Contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) without readily determinable for practicable to fair value as of March 31, 2005 are as follows:

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Other securities		
Domestic unlisted stocks excluding over-the-counter stocks	¥18,288	$170,295
Money management funds	40,006	372,530

(d) Redemption schedule of securities which have maturities within other securities as of March 31, 2005 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	$–
Other bonds	1	–	–	–	9	–	–	–
Total	¥1	¥–	¥0	¥–	$9	$–	$0	$–

(2) As of and for the year ended March 31, 2004

(a) Other securities with readily determinable fair value as of March 31, 2004 are as follows:

	Millions of yen		
	Acquisition cost	Carrying amount	Difference
Securities with carrying amount exceeding acquisition cost:			
Stocks	¥185,252	¥1,075,222	¥889,970
Subtotal	185,252	1,075,222	889,970
Securities with carrying amount not exceeding acquisition cost:			
Stocks	2,097	1,653	(444)
Bonds			
Government and municipal bonds, etc.	0	0	0
Other bonds	1	1	0
Subtotal	2,098	1,654	(444)
Total	¥187,350	¥1,076,876	¥889,526

In this year, Toyota Industries recorded ¥184 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, 2004 are as follows:

Millions of yen		
Proceeds	Realized gains	Realized losses
¥2,181	¥803	¥11

(c) Contents and carrying amount of securities (excluding held-to-maturity bonds within securities with fair value) without readily determinable for practicable to fair value as of March 31, 2004 are as follows:

	Carrying amount
	Millions of yen
Other securities	
Domestic unlisted stocks excluding over-the-counter stocks	¥18,200
Money management funds	20,019

(d) Redemption schedule of securities which have maturities within other securities as of March 31, 2004 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	46	0	–	–
Total	¥46	¥0	¥0	¥–

5. Inventories

Inventories as of March 31, 2005 and 2004 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Finished goods	¥35,616	¥31,265	$331,651
Raw materials	15,331	11,722	142,760
Work in process	34,587	26,893	322,069
Supplies	8,490	7,694	79,058
Total	¥94,024	¥77,574	$875,538

6. Long-term debt

(1)Long-term debt as of March 31, 2005 and 2004 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
The Company:			
2.70% bonds due 2008 without collateral	¥ 30,000	¥ 30,000	$ 279,356
2.15% bonds due 2008 without collateral	20,000	20,000	186,237
1.50% bonds due 2006 without collateral	15,000	15,000	139,677
1.94% bonds due 2009 without collateral	15,000	15,000	139,677
1.25% bonds due 2005 without collateral	20,000	20,000	186,237
1.91% bonds due 2010 without collateral	20,000	20,000	186,237
0.41% bonds due 2007 without collateral	30,000	30,000	279,356
1.13% bonds due 2012 without collateral	50,000	50,000	465,593
1.03% bonds due 2012 without collateral	30,000	–	279,356
1.46% bonds due 2014 without collateral	20,000	–	186,237
Consolidated subsidiaries:			
1.80% bonds due 2005	300	300	2,794
Long-term bank loans	77,522	38,263	721,874
Less: current portion of long-term debt	(24,330)	(3,038)	(226,558)
Total	¥303,492	¥235,525	$2,826,073

(2) Annual maturities of long-term debt as of March 31, 2005 are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 24,330	$ 226,558
2006	21,079	196,285
2007	33,803	314,769
2008	51,653	480,985
2009	18,375	171,105
2010 and thereafter	178,582	1,662,929
Total	¥327,822	$3,052,631

7. Assets pledged as collateral

(1) Assets pledged as collateral as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Investments in securities	¥33,345	¥33,126	$310,504
Buildings and structures	3,155	3,837	29,379
Land	3,798	8,466	35,366
Machinery, equipment and vehicles	–	2	–
Trade notes and accounts receivable	1,033	431	9,619
Other	41	232	382
Total	¥41,372	¥46,094	$385,250

(2) Secured liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Other current liabilities	¥19,966	¥19,422	$185,920
Short-term bank loans	3,158	5,059	29,407
Current portion of bonds	300	–	2,794
Long-term debt	2,685	2,435	25,002
Total	¥26,109	¥26,916	$243,123

8. Contingent liabilities

Toyota Industries is contingently liable for guarantees as of March 31, 2005 and 2004 as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Guarantees given by the Company	¥25,401	¥11,250	$236,530
Guarantees given by consolidated subsidiaries	700	10,030	6,518
Guarantee forwards given by the Company	2,954	3,314	27,507

9. Impairment loss of fixed assets

			Millions of yen	Thousands of U.S. dollars
Region	Items	Details of Fixed assets	2005	2005
Hyogo	One idle property	Building	¥ 28	$ 261
		Land	338	3,148
Tochigi	One idle property	Land	86	801
Nagano	One idle property	Land	59	549
Kagawa	One idle property	Land	48	447
Total			¥559	$5,206

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, an interim cash dividend 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 ¥30,051 million (US$279,831 thousand), ¥29,562 million and ¥29,705 million for the years ended March 31, 2005, 2004 and 2003, respectively.

12. Other non-operating income and expenses

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Other non-operating income:				
Gain on sales of securities	¥ 1,659	¥ 819	¥ 1,851	$ 15,448
Rental income of fixed assets	1,932	1,833	2,036	17,991
Exchange gain	500	836	1,709	4,656
Gain on sales of fixed assets	957	808	332	8,911
Sundries	4,510	4,873	2,533	41,997
Total	¥ 9,558	¥ 9,169	¥ 8,461	$ 89,003
Other non-operating expenses:				
Loss on impairment of securities	¥ 56	¥ 251	¥ –	$ 521
Depreciation	2,381	2,342	2,202	22,172
Loss on disposal of fixed assets	2,381	3,523	3,101	22,172
Exchange loss	610	1,283	1,224	5,680
Bond issue costs	205	502	329	1,909
Sundries	5,123	6,187	5,425	47,704
Total	¥10,756	¥14,088	¥12,281	$100,158

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 rule 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 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, 2005, 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, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Benefit obligation	¥124,570	¥ 96,344	$1,159,978
Plan assets	(77,121)	(57,929)	(718,140)
Unfunded benefit obligation	47,449	38,415	441,838
Unrecognized actuarial gain or loss	(14,564)	(15,372)	(135,618)
Unrecognized loss in prior service obligation	(350)	(597)	(3,259)
Net amount recognized on the balance sheets	32,535	22,446	302,961
Prepaid pension expenses	(6,694)	(7,218)	(62,334)
Allowance for retirement benefits	¥ 39,229	¥ 29,664	$ 365,295

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 ¥5,234 million (US$48,738 thousand) and ¥4,600 million of allowance for retirement and severance benefits for directors and corporate auditors as of March 31, 2005 and 2004, respectively.

(3) Components of retirement benefit expenses for the years ended March 31, 2005, 2004 and 2003 are as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Service cost	**¥ 7,446**	¥ 7,424	¥6,615	**$ 69,336**
Interest cost	**3,987**	4,559	2,036	**37,126**
Expected return on plan assets	**(2,196)**	(822)	(797)	**(20,449)**
Amortization of prior service obligation	**85**	79	12	**792**
Amortization of unrecognized actuarial gain or loss	**1,030**	1,854	484	**9,591**
Retirement benefit expenses	**¥10,352**	¥13,094	¥8,350	**$ 96,396**

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, 2005, 2004 and 2003 are as follows:

	2005	2004	2003	
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 incured
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 ¥8,226 million (US$76,599 thousand) as of March 31, 2005 and ¥3,200 million as of March 31, 2004, respectively.

15. Income taxes

(1) The significant components of deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Allowance for retirement benefits	¥ 12,842	¥ 8,927	$ 119,583
Trade receivables	5,270	5,026	49,073
Accrued expenses	6,049	5,458	56,327
Net operating loss carry-forwards for tax purposes	1,979	4,985	18,428
Depreciation	5,222	3,732	48,627
Securities	2,195	2,238	20,440
Enterprise tax payable	1,059	1,566	9,861
Other	15,962	14,800	148,636
Subtotal	50,578	46,732	470,975
Less — valuation allowance	(2,689)	(6,556)	(25,040)
Total deferred tax assets	47,889	40,176	445,935
Deferred tax liabilities:			
Other securities	392,618	354,600	3,656,001
Depreciation	5,355	4,298	49,865
Land	1,110	1,110	10,336
Reserve for advanced depreciation	537	468	5,000
Reserve for special depreciation	529	589	4,926
Other	5,981	7,118	55,695
Total deferred tax liabilities	406,130	368,183	3,781,823
Net deferred tax liabilities	¥(358,241)	¥(328,007)	$(3,335,888)

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Current assets — deferred tax assets	¥ 20,379	¥ 17,534	$ 189,766
Investments and other assets — deferred tax assets	7,234	3,538	67,362
Current liabilities — deferred tax liabilities	(4,067)	(2,743)	(37,871)
Long-term liabilities — deferred tax liabilities	(381,787)	(346,336)	(3,555,145)
Net deferred tax liabilities	¥(358,241)	¥(328,007)	$(3,335,888)

(2) Reconciliations of differences between the statutory rate of income taxes and the effective rate of income taxes for the years ended March 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
Statutory rate of income taxes	39.9%	41.2%	41.2%
Addition (reduction) in taxes resulting from:			
Dividends income and others permanently not recognized as taxable income	(3.8)	(3.4)	(3.5)
Equity in earnings of affiliates	(3.8)	–	–
Other	(0.7)	(1.9)	10.0
Effective rate of income taxes	31.6%	35.9%	47.7%

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, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Buildings and structures:			
Acquisition cost equivalents	¥ –	¥ 13	$ –
Accumulated depreciation equivalents	–	11	–
Buildings and structures net balance equivalents	–	2	–
Machinery and equipment:			
Acquisition cost equivalents	13,791	10,095	128,420
Accumulated depreciation equivalents	7,050	5,203	65,649
Machinery and equipment net balance equivalents	6,741	4,892	62,771
Tools, furniture and fixtures:			
Acquisition cost equivalents	12,146	5,340	113,102
Accumulated depreciation equivalents	6,232	3,279	58,032
Tools, furniture and fixtures net balance equivalents	5,914	2,061	55,070
Software:			
Acquisition cost equivalents	128	147	1,192
Accumulated depreciation equivalents	59	63	549
Software net balance equivalents	69	84	643
Total net leased properties	¥12,724	¥ 7,039	$118,484

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, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥ 4,061	¥2,696	$ 37,815
Due after 1 year	8,663	4,343	80,669
Total	¥12,724	¥7,039	$118,484

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, 2005, 2004 and 2003 are as follows:

	Millions of yen	Thousands of U.S. dollars
2005	¥4,927	$45,880
2004	3,614	–
2003	2,566	–

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 2005, 2004 and 2003, 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, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥ 4,165	¥ 3,091	$ 38,784
Due after 1 year	17,392	13,584	161,952
Total	¥21,557	¥16,675	$200,736

(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, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Machinery and equipment:			
Acquisition cost	¥8,928	¥8,061	$83,136
Accumulated depreciation	5,221	4,686	48,617
Total net leased property	¥3,707	¥3,375	$34,519

(b) Pro forma information regarding future minimum lease income as of March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥1,763	¥1,673	$16,417
Due after 1 year	3,202	2,842	29,816
Total	¥4,965	¥4,515	$46,233

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, 2005 and 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Total lease payments to be received	¥2,358	¥2,179	$21,957
Depreciation expenses	1,830	1,847	17,041

(4) Operating leases (as a lessor)

Pro forma information regarding future minimum rentals under operating leases as of March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Due within 1 year	¥10,040	¥ 7,217	$ 93,491
Due after 1 year	16,382	10,741	152,547
Total	¥26,422	¥17,958	$246,038

17. Subsequent event

On June 22, 2005, the shareholders of the Company authorized payment of a year-end cash dividend to shareholders of record as of March 31, 2005 of ¥19 (US$0.177) per share, or a total of ¥6,046 million (US$56,299 thousand), and bonuses to directors and corporate auditors of ¥279 million (US$2,598 thousand). Cash dividends for the year totaled ¥32 (US$0.298) per share, including an interim dividend of ¥13 (US$0.121).

18. Segment information

(1) Business segments

As of and for the years ended March 31, 2005, 2004 and 2003:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Sales:				
Automobile				
Outside customer sales	¥ 616,200	¥ 603,863	¥ 595,460	$ 5,737,964
Intersegment transactions	18,223	15,698	15,523	169,690
	634,423	619,561	610,983	5,907,654
Materials Handling Equipment				
Outside customer sales	503,990	443,444	373,008	4,693,081
Intersegment transactions	149	138	90	1,387
	504,139	443,582	373,098	4,694,468
Textile Machinery				
Outside customer sales	43,902	45,969	48,740	408,809
Intersegment transactions	25	16	6	233
	43,927	45,985	48,746	409,042
Others				
Outside customer sales	77,446	71,103	52,011	721,167
Intersegment transactions	21,579	14,132	13,078	200,940
	99,025	85,235	65,089	922,107
Subtotal	1,281,514	1,194,363	1,097,916	11,933,271
Elimination of intersegment transactions	(39,976)	(29,984)	(28,697)	(372,250)
Total	¥1,241,538	¥1,164,379	¥1,069,219	$11,561,021
Operating costs and expenses:				
Automobile	¥ 611,660	¥ 592,031	¥ 580,875	$ 5,695,688
Materials Handling Equipment	478,054	424,233	356,923	4,451,568
Textile Machinery	44,698	45,885	46,437	416,221
Others	93,782	79,485	61,177	873,285
Elimination of intersegment transactions	(39,776)	(29,886)	(28,671)	(370,387)
Total	¥1,188,418	¥1,111,748	¥1,016,741	$11,066,375
Operating income (loss):				
Automobile	¥ 22,763	¥ 27,530	¥ 30,108	$ 211,966
Materials Handling Equipment	26,085	19,349	16,175	242,900
Textile Machinery	(771)	100	2,309	(7,179)
Others	5,243	5,750	3,912	48,822
Elimination of intersegment transactions	(200)	(98)	(26)	(1,863)
Total	¥ 53,120	¥ 52,631	¥ 52,478	$ 494,646

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Assets:				
Automobile	¥ 407,436	¥ 338,247	¥ 328,370	$ 3,793,985
Materials Handling Equipment	465,832	406,384	337,453	4,337,760
Textile Machinery	25,622	24,744	30,922	238,588
Others	148,712	100,626	51,839	1,384,784
Corporate assets or elimination	1,279,222	1,141,994	901,807	11,911,928
Total	¥2,326,824	¥2,011,995	¥1,650,391	$21,667,045
Depreciation and amortization:				
Automobile	¥ 37,075	¥ 35,793	¥ 34,157	$ 345,237
Materials Handling Equipment	27,016	23,538	20,801	251,569
Textile Machinery	898	931	1,006	8,362
Others	5,215	5,443	3,487	48,561
Corporate or elimination of intersegment transactions	9	(353)	(297)	84
Total	¥ 70,213	¥ 65,352	¥ 59,154	$ 653,813
Capital expenditures:				
Automobile	¥ 92,692	¥ 48,793	¥ 49,380	$ 863,134
Materials Handling Equipment	33,973	32,205	24,350	316,352
Textile Machinery	1,613	1,204	2,164	15,020
Others	8,223	7,749	12,068	76,571
Corporate or elimination of intersegment transactions	5	(442)	(403)	47
Total	¥ 136,506	¥ 89,509	¥ 87,559	$ 1,271,124

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, skid steer loaders, aerial work platforms*
Textile machinery..........*Ring spinning frames, air-jet looms, water-jet looms*
Others..........*Semiconductor package substrates, transportation services*

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.

(2) Geographical segments

As of and for the years ended March 31, 2005, 2004 and 2003:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Sales:				
Japan				
Outside customer sales	¥ 815,039	¥ 785,253	¥ 733,869	$ 7,589,524
Intersegment transactions	99,464	87,271	78,518	926,194
	914,503	872,524	812,387	8,515,718
North America				
Outside customer sales	212,253	198,753	192,385	1,976,469
Intersegment transactions	1,126	1,113	1,411	10,485
	213,379	199,866	193,796	1,986,954
Europe				
Outside customer sales	188,669	167,512	139,515	1,756,858
Intersegment transactions	7,222	5,896	4,899	67,250
	195,891	173,408	144,414	1,824,108
Others				
Outside customer sales	25,577	12,861	3,450	238,170
Intersegment transactions	2,776	1,630	1,034	25,850
	28,353	14,491	4,484	264,020
Subtotal	1,352,126	1,260,289	1,155,081	12,590,800
Elimination of intersegment transactions	(110,588)	(95,910)	(85,862)	(1,029,779)
Total	¥1,241,538	¥1,164,379	¥1,069,219	$11,561,021
Operating costs and expenses:				
Japan	¥ 870,928	¥ 826,696	¥ 767,342	$ 8,109,954
North America	207,068	193,745	187,596	1,928,187
Europe	191,202	170,263	142,469	1,780,445
Others	27,713	14,623	4,560	258,060
Elimination of intersegment transactions	(108,493)	(93,579)	(85,226)	(1,010,271)
Total	¥1,188,418	¥1,111,748	¥1,016,741	$11,066,375
Operating income (loss):				
Japan	¥ 43,575	¥ 45,828	¥ 45,045	$ 405,764
North America	6,311	6,121	6,200	58,767
Europe	4,689	3,145	1,945	43,663
Others	640	(132)	(76)	5,960
Elimination of intersegment transactions	(2,095)	(2,331)	(636)	(19,508)
Total	¥ 53,120	¥ 52,631	¥ 52,478	$ 494,646

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Assets:				
Japan	¥ 788,828	¥ 643,180	¥ 554,034	$ 7,345,451
North America	151,048	136,830	144,739	1,406,537
Europe	264,274	238,388	223,446	2,460,881
Others	33,640	22,082	9,759	313,251
Corporate assets or elimination	1,089,034	971,515	718,413	10,140,925
Total	¥2,326,824	¥2,011,995	¥1,650,391	$21,667,045

Significant countries or areas belonging to each segment as of March 31, 2005 are as follows:

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

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, 2005, 2004 and 2003:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Overseas sales:				
North America	¥ 208,676	¥ 196,861	¥ 192,422	$ 1,943,160
Europe	225,409	211,081	181,347	2,098,976
Others	104,918	89,415	77,825	976,981
Total	¥ 539,003	¥ 497,357	¥ 451,594	$ 5,019,117
Total sales	¥1,241,538	¥1,164,379	¥1,069,219	$11,561,021
Ratio of overseas sales to total sales (%):				
North America	16.8%	16.9%	18.0%	
Europe	18.2	18.1	17.0	
Others	8.4	7.7	7.2	
Total	43.4%	42.7%	42.2%	

Significant countries or areas belonging to each segment as of March 31, 2005 are as follows:

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

19. Related party transactions

The following transactions were carried out with related parties:

(1) Sales of goods and services for the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Toyota Motor Corporation	**¥414,235**	¥406,267	¥417,058	**$3,857,296**

Toyota Motor Corporation held 24.1% of the Company's voting rights as of March 31, 2005. The above transactions were carried out on commercial terms and conditions.

(2) Purchase of goods and services for the years ended March 31, 2005, 2004 and 2003 was as follows:
Purchase of goods:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Toyota Motor Corporation	**¥285,019**	¥285,412	¥293,853	**$2,654,055**

Purchase of services:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Toyota Industries Health Insurance Society	**¥ 60**	¥ 66	¥ 69	**$ 559**
Toyota Medical Corporation	**46**	37	39	**428**
Toyota Technological Institute	**50**	50	–	**466**
Toyota Motor Corporation	**¥156**	¥153	¥108	**$1,453**

Toyota Industries Health Insurance Society's chairman as of March 31, 2005, 2004 and 2003 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, 2005, 2004 and 2003 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, 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, 2005 and 2004 are as follows:
Receivables from a related party:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Toyota Motor Corporation	**¥31,594**	¥23,421	**$294,199**

Payable to a related party:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Toyota Motor Corporation	**¥35,780**	¥29,247	**$333,178**

20. Net income per share (EPS)

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Net income per share:			
Net income	¥ 43,358	¥ 33,623	$403,743
Net income not attributable to common shareholders	390	330	3,631
(bonuses for directors and statutory auditors that are paid through appropriation)			
Net income attributable to common shareholders	42,968	33,293	400,112
Weighted-average shares (thousand)	318,079	308,144	–
Net income per share (exact yen amounts)	¥ 135.09	¥ 108.04	$ 1.26
Net income per share diluted:			
Adjustment for effect of dilutive securities (interest expenses of convertible bonds)	¥ –	¥ 12	$ –
Weighted-average shares for diluted computation (thousand)	139	18,468	–
Net income per share diluted (exact yen amounts)	¥ 135.03	¥ 101.97	$ 1.26

Report of Independent Accountants

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

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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 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, 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 2004, and the consolidated results of their operations and their cash flows for the years then ended 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, 2005