TOYOTA

Annual Report 2005

Year ended March 31, 2005

Positioned for the Future

Established in 1937, **Toyota Motor Corporation** is one of Japan's representative automobile manufacturers. In fiscal 2005, Toyota achieved worldwide consolidated sales of 7.4 million vehicles under the Toyota, Lexus, Daihatsu, and Hino brands on a shipment basis. At the end of fiscal 2005, Toyota had production bases in 26 overseas countries and regions, a vehicle sales network spanning approximately 170 countries and regions, and more than 260,000 employees worldwide on a consolidated basis.

Contents

CAUTIONARY STATEMENT WITH RESPECT TO FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that reflect Toyota's plans and expectations. These forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors that may cause Toyota's actual results, performance, achievements or financial position to be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements. These factors include: (i) changes in economic conditions and market demand affecting, and the competitive environment in, the automotive markets in Japan, North America, Europe and other markets in which Toyota operates; (ii) fluctuations in currency exchange rates, particularly with respect to the value of the Japanese yen, the U.S. dollar, the euro, the Australian dollar and the British pound; (iii) Toyota's ability to realize production efficiencies and to implement capital expenditures at the levels and times planned by management; (iv) changes in the laws, regulations and government policies in the markets in which Toyota operates that affect Toyota's automotive operations, particularly laws, regulations and policies relating to trade, environmental protection, vehicle emissions, vehicle fuel economy and vehicle safety, as well as changes in laws, regulations and government policies that affect Toyota's other operations, including the outcome of future litigation and other legal proceedings; (v) political instability in the markets in which Toyota operates; (vi) Toyota's ability to timely develop and achieve market acceptance of new products; and (vii) fuel shortages or interruptions in transportation systems, labor strikes, work stoppages or other interruptions to, or difficulties in, the employment of labor in the major markets where Toyota purchases materials, components and supplies for the production of its products or where its products are produced, distributed or sold.

A discussion of these and other factors which may affect Toyota's actual results, performance, achievements or financial position is contained in Toyota's annual report on Form 20-F, which is on file with the United States Securities and Exchange Commission.

Positioned for the Future

WITH A FOCUS ON GROWTH AND EFFICIENCY

At Toyota, we are steadfastly focused on fortifying our position in the worldwide automobile industry and on contributing to tomorrow's car society. We have taken control of our own destiny by pursuing farsighted innovation in all operational areas—including development, purchasing, production, and sales—enabling us to lead growth in the industry.

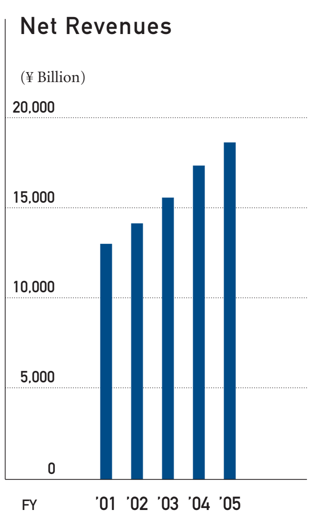
Furthermore, Toyota's advances in the face of fierce competition among automakers have underscored the Company's unique value. However, every year the bar for achieving sustainable growth gets higher. Continuing to target growth and efficiency, Toyota will move ahead by manufacturing appealing vehicles that meet the needs of the age.

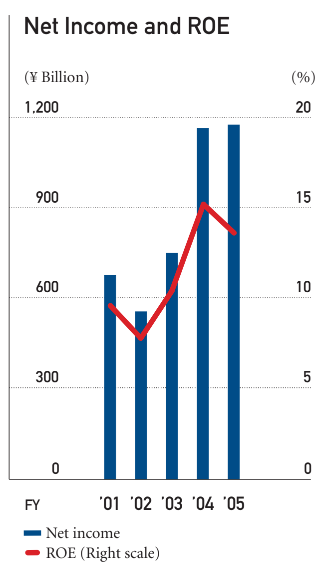
CONSOLIDATED FINANCIAL HIGHLIGHTS (U.S. GAAP)

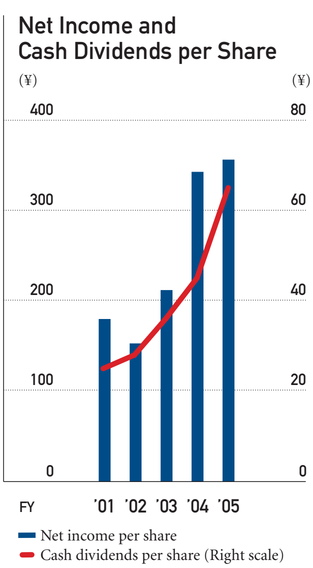
Toyota Motor Corporation
Fiscal years ended March 31

	Yen in millions except per share data			U.S. dollars* in millions except per share data	% change
	2003	2004	**2005**	**2005**	2004 vs 2005
For the Year:					
Net Revenues	¥15,501,553	¥17,294,760	**¥18,551,526**	**$172,749**	+7.3
Operating Income	1,271,646	1,666,890	**1,672,187**	**15,571**	+0.3
Net Income	750,942	1,162,098	**1,171,260**	**10,907**	+0.8
ROE	10.4%	15.2%	**13.6%**	—	—
Per Share Data (yen and U.S. dollars)**:**					
Net Income (Basic)	¥ 211.32	¥ 342.90	**¥ 355.35**	**$ 3.31**	+3.6
Cash Dividends	36.00	45.00	**65.00**	**0.61**	+44.4
Shareholders' Equity	2,063.43	2,456.08	**2,767.67**	**25.77**	+12.7
At Year-End:					
Total Assets	¥20,152,974	¥22,040,228	**¥24,335,011**	**$226,604**	+10.4
Shareholders' Equity	7,121,000	8,178,567	**9,044,950**	**84,225**	+10.6
Share Performance (March 31)**:**					
Price per Share (yen and U.S. dollars):	¥2,635	¥3,880	**¥3,990**	**$37.15**	+2.8
Market Capitalization	¥9,512,343	¥14,006,790	**¥14,403,890**	**$134,127**	+2.8

* U.S. dollar amounts have been translated at the rate of ¥107.39=US$1, the approximate current exchange rate at March 31, 2005.







CONSOLIDATED OPERATING SUMMARY

[Vehicle Sales]	up 10.3%, to 7.40 million—a new record
[Vehicle Production]	up 11.0%, to 7.23 million—a new record
[Net Revenues]	up 7.3%, to ¥18.55 trillion—a new record
[Operating Income]	up 0.3%, to ¥1.67 trillion—a new record
[Net Income]	up 0.8%, to ¥1.17 trillion—a new record
[ROE]	moved from 15.2% to 13.6%
[Net Income per Share]	up 3.6%, to ¥355.35
[Annual Cash Dividends per Share]	up ¥20.00, to ¥65.00
[Total Assets]	up 10.4%, to ¥24.33 trillion
[Shareholders' Equity]	up 10.6%, to ¥9.04 trillion

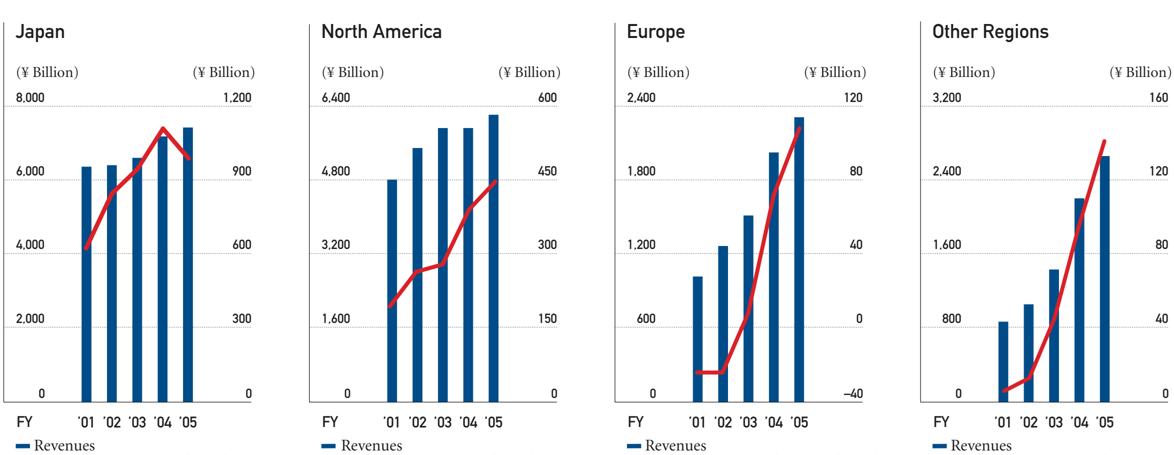
Note: All of the above are year-on-year consolidated results.

CONSOLIDATED SEGMENT INFORMATION

Toyota Motor Corporation
Fiscal years ended March 31

	Yen in millions			% change
	2003	2004	**2005**	2004 vs 2005
By Business Operations:				
Revenues:				
Automotive	¥14,311,451	¥15,973,826	**¥17,113,535**	+7.1
Financial Services	724,898	736,852	**781,261**	+6.0
All Other	795,217	896,244	**1,030,320**	+15.0
Intersegment Elimination	(330,013)	(312,162)	**(373,590)**	+19.7
Total Company	¥15,501,553	¥17,294,760	**¥18,551,526**	+7.3
Operating Income:				
Automotive	¥1,246,925	¥1,518,954	**¥1,452,535**	–4.4
Financial Services	30,328	145,998	**200,853**	+37.6
All Other	4,529	15,247	**33,743**	+121.3
Intersegment Elimination	(10,136)	(13,309)	**(14,944)**	+12.3
Total Company	¥1,271,646	¥1,666,890	**¥1,672,187**	+0.3
By Region:				
Revenues (External Customers):				
Japan	¥ 6,621,054	¥ 7,167,704	**¥ 7,408,136**	+3.4
North America	5,929,803	5,910,422	**6,187,624**	+4.7
Europe	1,514,683	2,018,969	**2,305,450**	+14.2
Other Regions	1,436,013	2,197,665	**2,650,316**	+20.6
Total Company	¥15,501,553	¥17,294,760	**¥18,551,526**	+7.3
Operating Income:				
Japan	¥ 944,290	¥1,108,127	**¥ 987,242**	–10.9
North America	279,988	390,977	**447,559**	+14.5
Europe	8,305	72,475	**108,541**	+49.8
Other Regions	45,626	96,913	**141,226**	+45.7
Intersegment Elimination	(6,563)	(1,602)	**(12,381)**	+672.8
Total Company	¥1,271,646	¥1,666,890	**¥1,672,187**	+0.3

Revenues (External Customers) and Operating Income (Loss) by Region



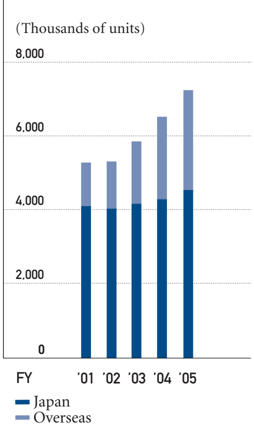
CONSOLIDATED VEHICLE PRODUCTION AND SALES

Toyota Motor Corporation
Fiscal years ended March 31

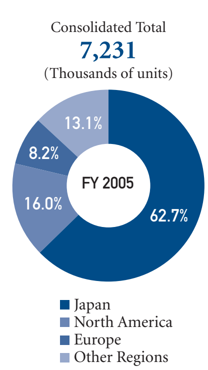
	Thousands of units			% change
	2003	2004	**2005**	2004 vs 2005
Vehicle Production by Region:				
Japan	4,162	4,284	**4,534**	+5.9
North America	883	1,034	**1,156**	+11.8
Europe	387	515	**596**	+15.7
Other Regions	418	680	**945**	+38.9
Overseas Total	1,688	2,229	**2,697**	+21.0
Consolidated Total	5,850	6,513	**7,231**	+11.0
Vehicle Sales by Region:				
Japan	2,217	2,303	**2,381**	+3.4
North America	1,982	2,103	**2,271**	+8.0
Europe	776	898	**979**	+9.0
Other Regions	1,138	1,415	**1,777**	+25.5
Asia	[462]	[557]	**[834]**	+49.5
Central and South America	[161]	[146]	**[185]**	+27.0
Oceania	[203]	[236]	**[239]**	+1.5
Others	[312]	[476]	**[519]**	+8.9
Overseas Total	3,896	4,416	**5,027**	+13.8
Consolidated Total	6,113	6,719	**7,408**	+10.3
Vehicle Production by Brand:				
Toyota / Lexus	5,185	5,763	**6,393**	+10.9
Daihatsu	607	663	**745**	+12.5
Hino	58	87	**93**	+7.3
Consolidated Total	5,850	6,513	**7,231**	+11.0
Toyota Group Total*	6,405	7,050	**7,719**	+9.5

* Includes 555 thousand units in fiscal 2003, 537 thousand units in fiscal 2004, and 488 thousand units in fiscal 2005 produced by unconsolidated companies—principally in the United States (at New United Motor Manufacturing, Inc.), China, the Philippines, and Malaysia—that do not appear in the consolidated totals.

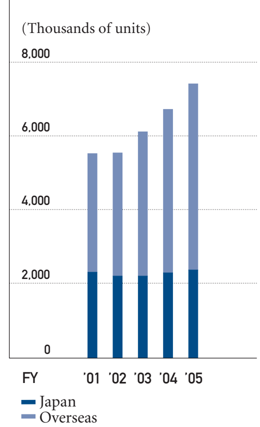
Vehicle Production



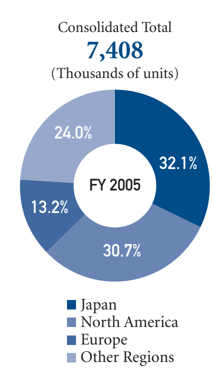
Vehicle Production by Region



Vehicle Sales



Vehicle Sales by Region



CHAIRMAN'S MESSAGE

Tokyo Head Office

Toyota will realize sustainable growth while contributing to the development of the automobile industry worldwide guided by an overriding belief in the value of competition and cooperation.

Adding a new chapter to an impressive history of growth, we turned in yet another record-breaking performance in fiscal 2005. Although business conditions in the automobile industry become tougher with each passing year, Toyota has increased competitiveness in markets worldwide by rolling out more-global operations, by stepping up the development of trailblazing technologies, and by pursuing further cost reductions.

As I have said in the past, I am convinced that the automobile industry will grow vigorously in the 21st century. The advent of full-fledged global motorization is bound to continue expanding the automotive market. At the same time, the new social priorities of the emerging era will call for radically new approaches to vehicles. In other words, automotive manufacturing and its management are approaching a watershed. Automakers have to address the issue of coexistence with society, particularly in relation to environmental preservation and safety. And, the outcomes of those efforts will determine companies' competitive success. Accordingly, through a managerial approach that values competition and cooperation, Toyota will do its utmost to achieve sustainable growth as a company qualified to lead and contribute to the development of the global automobile industry.

Recently, we undertook a rejuvenation of our senior management team that included the appointment of a new president. With a fresh era on the horizon, I am confident that we have assembled a management team that can respond agilely to changes in the operating environment and accelerate forward-looking reform. Toyota will continue tireless efforts to fulfill the expectations of its shareholders and other stakeholders by raising corporate value. Our goal is to realize long-term, stable growth as a trusted member of international society.

July 2005

Hiroshi Okuda, Chairman

PRESIDENT'S MESSAGE

Design Headquarters,
Toyota City,
Aichi Prefecture, Japan

"We will step up growth through further innovation inspired by the Toyota Way tradition."

By way of introduction, at the Board of Directors' Meeting held after the Ordinary General Shareholders' Meeting on June 23, 2005, I was appointed to the position of president. During my previous four-year term as an executive vice president, I was primarily responsible for purchasing—with a particular focus on advancing manufacturing innovation in partnership with suppliers and enhancing Toyota's cost and product competitiveness in markets worldwide. And, I intend to draw on that experience to tackle management issues head on.

Handed down and developed since the Company's incorporation, the Toyota Way has become the bedrock of our thinking. Because we are likely to face ever-more challenging business conditions, I want to pass on that mind-set to inspire a sense of shared vision among our employees. Further, I believe manufacturing must give priority to the customer. A vehicle that for Toyota is one of millions built a year represents a valuable possession for each customer. Therefore, reflecting the customer's standpoint will be paramount in our ongoing quest to be number one in the world in quality, speed to market, pricing, and service. Moreover, to earn the approval of customers and society, we will build vehicles with excellent environmental and safety performance.

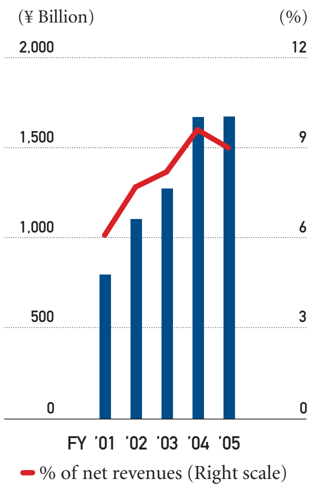
Although Toyota posted its best-ever results in fiscal 2005, the Company will single-mindedly implement an aggressive long-term investment strategy that targets sustainable growth first and foremost. At the same time, we aim to accelerate innovation to further strengthen our position in the automobile industry and to increase earnings and shareholder value. I would like to take this opportunity to ask our shareholders and other investors for their continued trust and support.

[PERFORMANCE]

"We were able to raise cash dividends for the sixth straight year on the back of another record performance."

Toyota reached all-time highs across the board, with consolidated worldwide vehicle sales of 7.40 million units, net revenues of ¥18.55 trillion, operating income of ¥1.67 trillion, and net income of ¥1.17 trillion. Those results were due to the concerted efforts of the Toyota Group, its suppliers, and sales affiliates to market attractive vehicles that win the hearts of customers worldwide. As a result, I am pleased to report that we were able to increase returns to shareholders by raising cash dividends for the sixth consecutive year. While I rate the year's achievements

Operating Income



highly, I see our performance as a stepping stone on our way toward even more ambitious targets.

Although Toyota rewrote performance records, the outlook remains challenging. We face a range of internal and external issues, including the need for prior investment to respond to the worldwide demand surge, hikes in raw materials costs, and currency exchange rate fluctuations. Given the opacity of the business environment and the investment and operational costs that are now needed to drive the Company toward a new growth phase, I will redouble efforts to heighten management efficiency and maintain solid growth.

[ACHIEVEMENTS]

"Further globalization and localization pushed consolidated overseas vehicle sales past the 5-million-unit milestone."

Looking back over the year, the Japanese economy recovered mildly due to better corporate earnings and an increase in employment. Overseas, the business climate was generally favorable, with the United States enjoying higher private-sector capital investment and consumer spending, while Asian economies upheld vigorous growth. As a result, demand continued to rise in automotive markets worldwide.

Against that backdrop, Toyota worked to realize products that provided even more satisfaction to customers the world over. In Japan, we claimed 44.5% of the market excluding minivehicles—our largest-ever share—by fully remodeling mainstays and by actively bringing new models to market. Overseas, in Thailand and six other countries we started up production of the IMV (Innovative International Multipurpose Vehicle) series. Offering premium quality, comfort, and affordable prices, the lineup sold briskly. In North America, Toyota targeted young customers by launching sales of Scion-marque cars across the United States. Meanwhile, our plant in Mexico began rolling out pickup trucks. In Europe, our plant established with PSA Peugeot Citroën started building small passenger cars in the Czech Republic. In China, Toyota moved operational expansion up a gear, initiating local production of the high-end Crown sedan and jointly establishing a vehicle production and sales company with Guangzhou Automobile Group Co., Ltd. As a result of those bold initiatives to develop our global operations, consolidated overseas vehicle sales cleared the 5-million-unit mark for the first time.

In addition, worldwide sales of hybrid vehicles soared as they won ever-greater numbers of fans among customers the world over. In fiscal 2005, we shipped approximately 151,000 units—2.5 times more than in the previous fiscal year. Moreover, Toyota began overseas deployment of two SUVs equipped with the latest hybrid systems, following the vehicles' March 2005 debut in Japan. We are committed to further enriching our hybrid lineup because we see hybrid systems as a core technology that will underpin next-generation environmental measures.

[KEY MANAGEMENT ISSUES]

"We will take an even bolder approach to the simultaneous pursuit of growth and efficiency."

➤ Toyota's top management priority is to enhance growth and efficiency at the same time. I have no intention of sacrificing efficiency for growth or vice versa. Amid a fierce global struggle for survival among automakers, I feel it is critical to steer Toyota through a range of in-house and external issues guided by a constant awareness of the need for growth and efficiency.

I am convinced that to earn recognition of Toyota's value among customers worldwide, we must devote ourselves to manufacturing that is driven by their expectations while honing technological capabilities and improving cost competitiveness. In other words, we have to achieve nothing less than becoming the number one automaker in the world in quality, speed to market, pricing, and service. Such statements are easy to make; following through on them is another matter. We are backing our assertions with concrete results that are based on the implementation of innovations that are integrating our manufacturing efforts with those of partner suppliers. By taking on even more sweeping reform of management and manufacturing, we intend to unlock further corporate value going forward.

[TARGETS AND MOTIVATION]

"Our employees will work as a team toward the realization of Toyota's vision."

➤ In the near term, I am eager to realize our target of 8.5 million vehicle sales in calendar 2006 by pushing up sales in regions worldwide. In the longer term, we would like to stake out 15% of the global automotive market in the early 2010s. That figure represents the next major ambition for Toyota, which already holds a 10% share of the world market and is pursuing further growth.

However, I do not want to be misunderstood on this point. I will not adopt a management style at Toyota that only focuses on winning market share. We will steadily build toward a 15% share of the market through consistent effort. Another reason for raising 15% as a banner is to give Toyota employees worldwide a challenging shared goal that will fire them to win out in the face of intense market competition. In our view, stagnation is synonymous with retreat; the outlook is bleak for any company that cannot sustain growth. Make no mistake, Toyota is bursting with energy and its appetite for growth is truly insatiable.

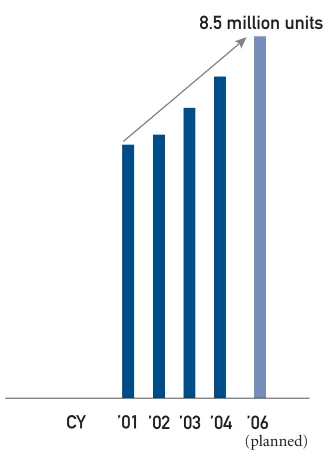
[GROWTH STRATEGIES]

"We will maintain growth by bolstering capabilities in three areas key to competitiveness—development, supply, and marketing."

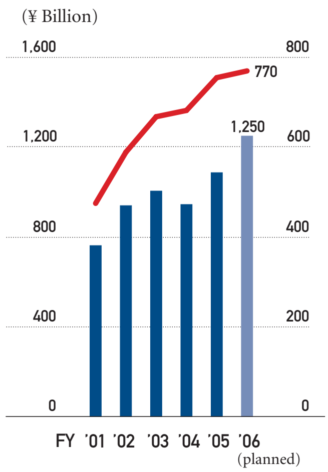
➤ To sustain growth, Toyota must reinforce its capabilities in development, supply, and marketing. Therefore, we will continue farsighted investment in those areas to build a platform for new growth.

Planned Vehicle Sales

Note: Different from fiscal year figures



Capital Investment* and R&D Expenses



R&D expenses (Right scale)

* Excluding vehicles and equipment on operating leases

In development, we are fast-forwarding process innovation to shorten the lead times needed to bring appealing vehicles to market. Also, we are targeting competitive advantage by forging ahead even further in the development of environmental, safety, and other next-generation technologies. Research and development expenses amounted to ¥755.1 billion in fiscal 2005, and we plan research and development spending of ¥770.0 billion in fiscal 2006.

In supply, we will increase local production dramatically. Based on a strategy of building vehicles in regions where demand exists, plans call for an approximate doubling of current local production to about 5 million units. Already, new plants have either started production or are being built in North America, Thailand, China, and Russia. Meanwhile, domestic production will support overseas manufacturing by absorbing fluctuations in global demand. Therefore, we plan to raise domestic production capacity. The resulting additional investment will raise capital investment year on year from ¥1,087.2 billion to ¥1.25 trillion in fiscal 2006.

In marketing, we will continue to fortify our sales network in regions worldwide. In Japan, our mainstay market, we reorganized sales channels by launching a new Netz channel in fiscal 2005. We are also strengthening sales capabilities through brand realignment, with the Japanese premier of the Lexus range scheduled for August 2005.

[CAPITAL POLICY AND RETURNS]

"To grow consolidated dividend payout ratios, our profit distribution will reflect consolidated results more closely."

➤ We have regarded actively returning profits to our shareholders as an important management policy. But, starting in fiscal 2005, we aim to further emphasize that philosophy in three respects. First, we will view returns to shareholders on a consolidated basis. In the past several years, we have returned most of non-consolidated cash flows to shareholders through cash dividends and purchases of common stock. However, given the increasing globalization of our operations, we will strive to grow consolidated net income per share continuously and reflect those improvements in returns to shareholders. Second, we will shift the primary axis of dividend policy from cash dividend amounts to consolidated dividend payout ratios. Finally, Toyota aims to increase cash dividends to a markedly higher level.

In light of the anticipated growth of automotive markets worldwide, the Company will leverage retained earnings to further expand operations and to construct a strong management platform. Specifically, we will undertake forward-looking investment to enhance product competitiveness and establish next-generation technology. At the same time, Toyota will allocate resources to grow operations globally by upsizing production and sales systems at home and abroad and to develop new operations. Toyota is committed to building shareholder value through aggressive investment that will enable the Company to triumph over global competition and continue growing in the 21st century.

[SOCIAL RESPONSIBILITY]

"We strive to manage Toyota in a way that benefits all of our stakeholders."

Needless to say, in order to sustain growth, Toyota must develop operations in harmony with international society and the Earth's environment and maintain sound relationships with stakeholders. Additionally, we have to establish corporate governance systems while holding ourselves to the highest ethical standards through adherence to the letter and the spirit of laws in Japan and overseas.

Mindful of those imperatives, Toyota regards reflecting the interests of all stakeholders, including shareholders, customers, employees, business partners, and local communities, as an important management function that will enable continued growth as one of international society's trusted corporate citizens. Accordingly, in January 2005 Toyota issued the "Contribution towards Sustainable Development" statement in Japan and overseas, detailing the Company's social contribution initiatives.

(see the Contribution towards Sustainable Development section on page 21 for further details)

[OUTLOOK]

"To further the automobile industry's development, Toyota will work to realize long-term growth."

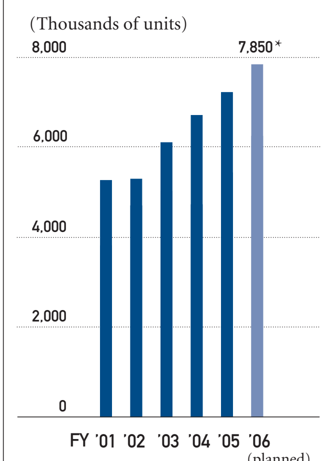
Without a doubt, the global automotive market is going to grow over the medium-to-long term. Currently generating sales of more than 60 million units, the market is expected to reach 75 million vehicles over the coming decade. In addition to the advanced automotive market of the United States, emerging markets in China, Russia, India, and other countries will fuel that expansion. In the short-term, although economies worldwide will likely see modest growth, the operating environment is unpredictable due to numerous potential sources of instability, such as the U.S. economic outlook, China's austerity measures, climbing crude oil and steel prices, and currency exchange rate trends. Moreover, competition in the global automobile industry is becoming even more fierce as automakers deploy large numbers of new models and strive to develop next-generation technologies that address energy and global-warming issues.

My response to those conditions will be to continue leveraging our solid financial base to bolster market competitiveness while steadily laying foundations for long-term growth. In the current fiscal year, ending March 2006, we project an increase of about 6.0% in consolidated vehicle sales, to 7.85* million units. In closing, I look forward to developing an enduring and fruitful partnership with all of our stakeholders in the years to come.

July 2005

Katsuaki Watanabe, President

Consolidated Vehicle Sales



* Revised upward to 7.97 million units in August 2005.

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT RESPONSIBLE FOR FINANCE & ACCOUNTING*

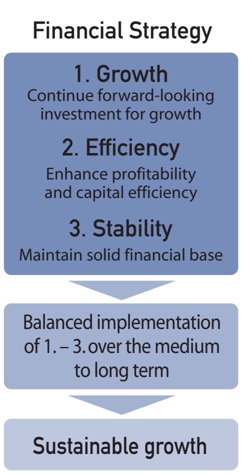
Performance Overview

In fiscal 2005, ended March 31, 2005, Toyota posted record results across the board, with increases of 7.3% in consolidated net revenues, to ¥18.55 trillion; 0.3% in operating income, to ¥1.67 trillion; and 0.8% in net income, to ¥1.17 trillion. Among those results, operating income remained at the previous fiscal year's high level, absorbing such income-reducing factors as ¥140.0 billion for the effect of currency exchange rate changes and a ¥59.8 billion decrease in net gains on the transfer of the substitutional portion of the employee pension funds to the government. Further, net income was above ¥1 trillion for the second consecutive year.

I believe that we were able to maintain high annual earnings while investing for future growth. Toyota has been able to realize long-term growth by continuously evolving the quality of its business strategy. To establish a foundation for further growth, the Company believes that it is critical to develop market-creating products while increasing self-reliance of overseas operations by making capital expenditures to advance global operations worldwide and to build research and development. We aim to heighten management efficiency through the creation of a more balanced profit structure among the four regions: Japan, North America, Europe, and Other Regions including Asia.

Financial Strategy

The three key strategies of Toyota's financial strategy are "growth," "efficiency," and "stability." In other words, our financial strategy is founded on continued forward-looking investment for growth, the enhancement of profitability and capital efficiency, and the maintenance of a solid financial position. In the medium-to-long term, Toyota will balance its pursuit of those three priorities to achieve steady and sustainable growth.



Regarding "growth," I believe we have to continue investing effectively, regardless of such factors as currency exchange rate fluctuations and corporate performance. It is essential to implement capital expenditures for operations worldwide as well as prior investment in environmental and safety technologies, which will become the key drivers of sustainable growth. Further, our management policy emphasizes cash flows in order to steadily raise corporate value for our shareholders. Guided by that policy, in fiscal 2005 Toyota was able to maintain positive free cash flow while implementing investments in property, plant and equipment of more than ¥1 trillion (excluding vehicles and equipment on operating leases) and recording approximately ¥750 billion in research and development expenses. In fiscal 2006, aiming to realize further growth through effective investment, we will continue to earmark free cash flow generated through our efforts to maximize earnings for stepped-up investment in property, plant and equipment and in research and development.

Regarding "efficiency" in fiscal 2005, the Company recorded an operating income margin of 9.0% and ROE of 13.6%. In comparison with fiscal 2000's operating income margin of 5.6% and ROE of 7.1%, the Company achieved substantial improvement, and has balanced both "growth" and "efficiency." In order to advance cost reduction activities, —one of Toyota's perennial strengths—the Company has launched the "VI Activity," in pursuit of "value innovation" and strives to promote cost reduction on a new level. Toyota is making a concerted effort to take profitability and efficiency to new heights.

Regarding "stability," the Company maintained its solid financial base by ensuring sufficient liquidity and stable shareholders' equity. At fiscal 2005 year-end, liquid assets were approximately ¥3.5 trillion while shareholders' equity stood at roughly ¥9.0 trillion. A sound financial position is a prerequisite in order to continue flexible, forward-looking investment even during sharp fluctuations in operating and market conditions. In addition, a solid financial position underpins the high credit ratings that allow Toyota to continuously access low-cost, stable financing. In past years, the creation of new earnings opportunities by globalizing operations, investing in research and development and expanding financial services operations has required considerable amounts of capital. As a result, while total assets have grown from around ¥16 trillion in fiscal 2000 to roughly ¥24 trillion in fiscal 2005, total liquidity has remained stable overall at approximately ¥3 trillion to ¥4 trillion. Toyota's relative cash levels have in fact decreased. Despite the backdrop of expected growth in automotive markets worldwide, I believe that maintaining current cash levels is crucial for the implementation of forward-looking investment to enhance product appeal, to develop next-generation technology, to establish production and sales systems in Japan and overseas for the global expansion of operations and to create businesses in new fields.

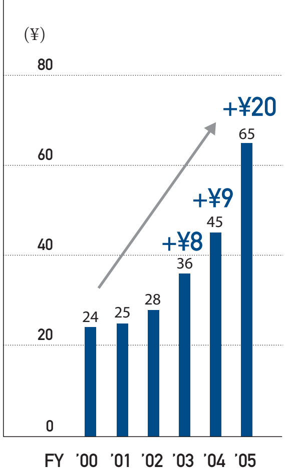
Dividends and Repurchases of Shares

Toyota believes that actively returning profits to its shareholders is an important management policy and will make an effort to continue increasing consolidated net income per share. In fiscal 2005, the Company's dividend policy was to more closely reflect favorable consolidated results in profit distribution in order to realize a substantial increase in consolidated dividend payout ratios. Consequently, the Company paid a significantly higher annual dividend of ¥65.00 per share, which was up ¥20.00 per share from the previous fiscal year. That annual dividend was Toyota's highest ever and marked the sixth consecutive year of increased dividends. Furthermore, the consolidated dividend payout ratio rose sharply year on year from 13.0% to 18.3%.

In addition, Toyota intends to repurchase shares of treasury stock flexibly with a view to enhance capital efficiency and to improve the balance of share supply and demand. In fiscal 2005, the Company repurchased a total of ¥266.2 billion, or 63.08 million shares of treasury stock. As a result, excluding treasury stock, a total of 3.25 billion shares were issued and outstanding as of June 30, 2005. Toyota has acquired treasury stock since the first year of the recognition of stock repurchase under the Japanese Commercial Code in fiscal 1997. As of June 30, 2005, the Company had repurchased a total of ¥2,107.5 billion, or 616.14 million shares of treasury stock. Further, we received authorization to repurchase up to 65 million shares of treasury stock, for a maximum aggregate purchase price of ¥250 billion, from the Ordinary General Shareholders' Meeting in June 2005.

Toyota is committed to maintaining the strong financial position that is the source of its stable, long-term growth. At the same time, we will endeavor to reflect the fruits of that growth in the distribution of profits to our shareholders.

Dividends per Share



July 2005

Mitsuo Kinoshita,
Executive Vice President

* Responsibilities include finance and accounting related operational areas (See Members of the Board of Directors and Auditors, page 132)

CORPORATE GOVERNANCE

[TOYOTA'S BASIC APPROACH TO CORPORATE GOVERNANCE]

➤ Toyota's top management priority is to steadily increase shareholder value over the long term. Further, our fundamental management philosophy is to remain a trusted corporate citizen in international society through open and fair business activities that honor the language and spirit of the law of every nation. Putting that philosophy into practice, Toyota builds favorable relationships with all of its stakeholders, including shareholders, customers, business partners, local communities, and employees. We are convinced that providing products that fully cater to customer needs is essential to achieve stable, long-term growth. That philosophy is outlined in the "Guiding Principles at Toyota." Further, to explain those principles in more-detailed terms, we prepared and issued the "Contribution towards Sustainable Development" statement at the beginning of 2005. Through such initiatives, Toyota is taking concrete measures to reinforce its corporate governance functions and to become an even more competitive global company.

Specifically, we have introduced a unique management system focused on prompt decision making for developing our global strategy and speeding up of operations. Furthermore, we have a range of long-standing in-house committees and councils responsible for monitoring and discussing management and corporate activities from the viewpoints of various stakeholders to ensure heightened transparency and the fulfillment of social obligations.

Ultimately, however, a well-developed awareness of ethics among individuals is the key to successful governance systems. Without such awareness—regardless of the governance structure of a company—corporate governance cannot function effectively. Toyota has a unique corporate culture that places emphasis on problem solving and preventative measures, such as problem solving based on the actual situation on the site and highlighting problems by immediately flagging and sharing them. Toyota's management team and employees conduct operations and make decisions founded on that common system of checks and balances and on high ethical standards.

[TOYOTA'S MANAGEMENT SYSTEM]

➤ In June 2003, Toyota introduced a new management system that includes a streamlined Board of Directors and the new position of non-board managing officers with responsibility for specific operational functions. A distinctive feature of Toyota's management system is that senior managing directors do not focus exclusively on management. They also serve as the highest authorities in the specific operational functions and as the link created between management and on-site operations. Retaining an emphasis on developments on the site—one of Toyota's perennial strengths—helps closely coordinate decision making with actual operations. Management decisions can be swiftly reflected in operations, while overall management strategy is able to readily incorporate feedback from frontline operations.

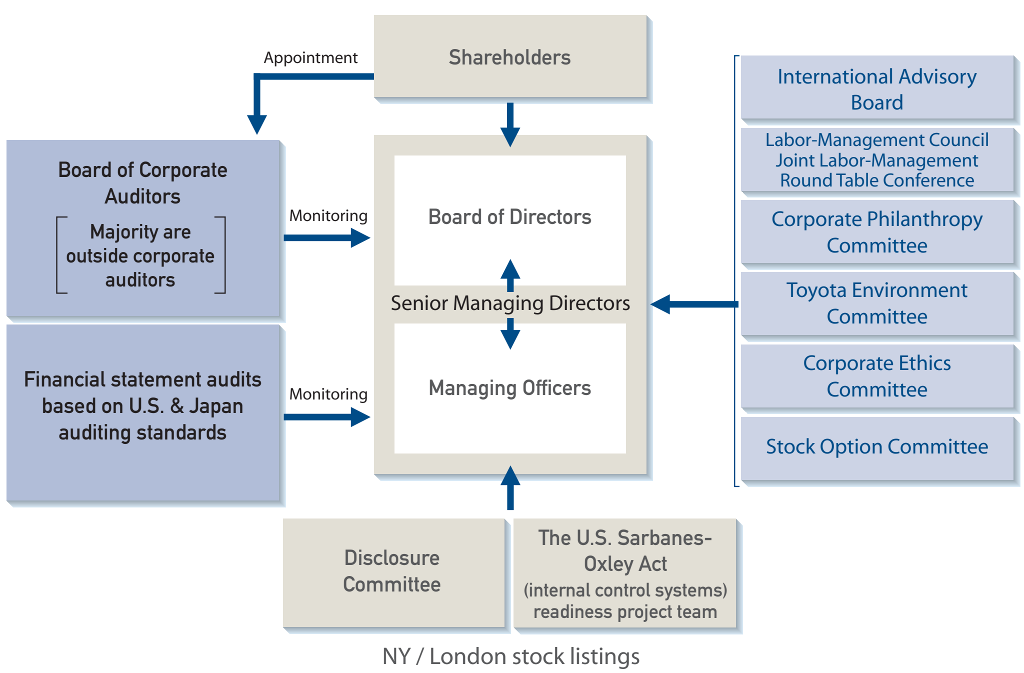
To monitor the management, Toyota has adopted an auditor system that is based on the Japanese Commercial Code. In order to increase transparency of corporate activities, four of Toyota's seven corporate auditors are outside corporate auditors. Corporate auditors support the Company's corporate governance efforts by undertaking audits in accordance with the audit policies and plans determined by the Board of Corporate Auditors.

[SYSTEMS FOR ENSURING APPROPRIATE MANAGEMENT]

➤ As a system to ensure appropriate management, Toyota has convened meetings of its International Advisory Board (IAB) annually since 1996. The IAB consists of approximately 10 distinguished advisors from overseas with backgrounds in a wide range of fields, including politics, economics, the environment, and business. Through the IAB, we receive advice on a diversity of business issues from a global perspective. In addition, Toyota has a wide variety of conferences and committees for deliberations and the monitoring of management and corporate activities that reflect the views of a range of stakeholders, including the Labor-Management Council, the Joint Labor-Management Round Table Conference, the Corporate Philanthropy Committee, and the Stock Option Committee.

Toyota's Corporate Governance

Emphasizing Frontline Operations + Multidirectional Monitoring



[ACCOUNTABILITY]

➤ Toyota considers the appropriate disclosure of corporate and financial information as a critical responsibility in corporate governance, and we work to enhance our accountability to shareholders and other investors.

With respect to financial information, in addition to quarterly reporting of financial statements, we made financial statements timelier, more transparent, and more comprehensive by only issuing consolidated financial statements in accordance with U.S. GAAP from fiscal 2004. In response to the enactment of the U.S. Sarbanes-Oxley Act, Toyota has established the Disclosure Committee. The committee works to ensure the appropriate, timely and fair disclosure of material information.

[COMPLIANCE]

➤ To firmly establish corporate ethics and ensure strict compliance, Toyota's Corporate Ethics Committee, which is comprised of members drawn from the executive vice president level and above and representative corporate auditors, deliberates issues and measures relating to corporate ethics, compliance, and risk management.

For employees, an outside attorney provides the Compliance Hotline. Also, we are reexamining the compliance risks within each division, implementing countermeasures, and entrenching them. Toyota will implement the tenets of ethical business practice by further promoting the "Guiding Principles at Toyota" and the "Code of Conduct for Toyota Employees" and by educating and training employees at all levels and in all areas of operations.

Furthermore, Toyota has established a readiness project team that is taking steps to enhance internal control systems in compliance with Section 404 of the U.S. Sarbanes-Oxley Act, to which the Company will be subject, beginning in fiscal 2007. A specialized independent organization has increased the number of personnel to verify the effectiveness of internal controls over financial reporting. In order to enhance the reliability of the financial reporting of the Company, the three auditing functions, namely, independent accountants, corporate auditors, and internal auditors, have meetings periodically and as necessary to share information through discussion on audit plans and results that aids conducting an effective and efficient audit.

[CORPORATE SOCIAL RESPONSIBILITY]

➤ To maintain stable, long-term growth in international society, companies have to earn the respect and trust of society and individuals. Rather than simply contributing to economic development through operational activities, growing in harmony with society is a must for good corporate citizens. Mindful of the foregoing, Toyota has a range of committees that are tasked with monitoring corporate activities and management in relation to social responsibilities, including the Corporate Philanthropy Committee and the Toyota Environment Committee.

Significant Differences in Corporate Governance Practices between Toyota and U.S. Companies Listed on the NYSE

Pursuant to home country practices exemptions granted by the New York Stock Exchange (the "NYSE"), Toyota Motor Corporation (the "Company") is permitted to follow certain corporate governance practices complying with Japanese laws, regulations and stock exchange rules in lieu of NYSE's listing standards. The United States Securities and Exchange Commission (the "SEC") approved changes to the NYSE's listing standards related to corporate governance practices of listed companies (the "NYSE Corporate Governance Rules") in November 2003, as further amended in November 2004. The Company is exempted from the approved changes, except for requirements that (a) the Company's board of corporate auditors satisfies the requirements of Rule 10A-3 under the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), (b) the Company must disclose significant differences in the corporate governance practices followed by the Company as compared to those followed by domestic companies under the NYSE listing standards, (c) the Company's principal executive officer must notify the NYSE of material non-compliance with (a) and (b), and (d) the Company must submit annual and interim written affirmations to the NYSE. The Company's corporate governance practices and those followed by domestic companies under the NYSE Corporate Governance Rules have the following significant differences:

➤ **1. Directors** The Company currently does not have any directors who will be deemed as an "independent director" as required under the NYSE Corporate Governance Rules for U.S. listed companies. Unlike the NYSE Corporate Governance Rules, the Commercial Code of Japan (the "Code") and the Law concerning Exceptional Measures to the Commercial Code with respect to Auditing, etc. of Joint Stock Corporations (the "Special Exception Law") do not require Japanese companies with a board of corporate auditors such as the Company to have any independent directors on its board of directors. While the NYSE Corporate Governance Rules require that the non-management directors of each listed company meet at regularly scheduled executive sessions without management, the Company currently has no non-management director on its board of directors. Unlike the NYSE Corporate Governance Rules, the Code and the Special Exception Law do not require, and accordingly the Company does not have, an internal corporate organ or committee comprised solely of independent directors.

➤ **2. Committees** Under the Code and the Special Exception Law, the Company has elected to structure its corporate governance system as a company with corporate auditors, who are under a statutory duty to monitor, review and report on the management of the affairs of the Company. The Company, as with other Japanese companies with a board of corporate auditors, but unlike U.S. listed companies subject to the NYSE Corporate Governance Rules, does not have specified committees, including those that are responsible for director nomination, corporate governance and executive compensation.

Pursuant to the Code, the Company's board of directors nominates and submits a proposal for the appointment of directors for shareholder approval. The shareholders vote on such nomination at the Company's general meeting of shareholders. The Code requires that the respective total amount of remuneration to be paid to all directors and all corporate auditors must be determined by a resolution of the general meeting of shareholders, unless their remuneration is provided for in the Articles of Incorporation. The distribution of remuneration among each director is broadly delegated to the Company's board of directors and the distribution of remuneration among each corporate auditor is determined by consultation among the Company's corporate auditors.

- **3. Audit Committee** The Company avails itself of paragraph (c)(3) of Rule 10A-3 of the Exchange Act, which provides a general exemption from the audit committee requirements to a foreign private issuer with a board of corporate auditors, subject to certain requirements which continue to be applicable under Rule 10A-3.

  Pursuant to the requirements of the Code and the Special Exception Law, the Company elects its corporate auditors through a resolution adopted at a general meeting of shareholders. The Company currently has seven (7) corporate auditors, which exceeds the minimum number of corporate auditors required pursuant to the Code and the Special Exception Law.

  Unlike the NYSE Corporate Governance Rules, the Code and the Special Exception Law, among others, do not require corporate auditors to establish an expertise in accounting nor are they required to present other special knowledge and experience. Under the Special Exception Law, the board of corporate auditors may determine the auditing policies and methods of investigating the conditions of the business and the assets of the Company, and may resolve other matters concerning the execution of the corporate auditor's duties. The board of corporate auditors also prepares auditors' reports and gives consent to proposals of the nomination of corporate auditors and accounting auditors.

  The Company currently has four (4) outside corporate auditors under the Special Exception Law. Under the Special Exception Law, at least one of the corporate auditors of the Company must be an "outside" corporate auditor, which is such person who was not a director, executive officer, manager, or employee of the Company or its subsidiaries during the five-year period prior to such corporate auditor's election. Such qualifications for an "outside" corporate auditor are different from the audit committee independence requirement under the NYSE Corporate Governance Rules.

- **4. Corporate Governance Guidelines** Unlike the NYSE Corporate Governance Rules, the Company is not required to adopt or disclose corporate governance guidelines under Japanese laws and regulations including the Code and the Securities and Exchange Law of Japan, or stock exchange rules. However, the Company is required to disclose policies and the present status of its corporate governance in its annual securities report and certain other disclosure documents in accordance with the regulations under the Japanese Securities and Exchange Law and stock exchange rules in respect of timely disclosure.

- **5. Code of Business Conduct and Ethics** Unlike the NYSE Corporate Governance Rules, under Japanese laws and regulations including the Code and the Securities and Exchange Law of Japan, or stock exchange rules, the Company is not required to adopt a code of business conduct and ethics for directors, officers and employees. Accordingly, the Company is not required to adopt and disclose waivers of the code of business conduct and ethics for these individuals. However, the Company maintains guidelines and internal regulations such as "Guiding Principles at the Company" and "Code of Conduct for the Company Employees" and has also established a code of ethics pursuant to Section 406 of the Sarbanes-Oxley Act, which has been disclosed under the annual report on Form 20-F for the year ended March 31, 2003.

- **6. Shareholder Approval of Equity Compensation Plans** Unlike the NYSE Corporate Governance Rules, under which material revisions to equity-compensation plans of listed companies are subject to shareholder approval, pursuant to the Code, if the Company desires to adopt an equity-compensation plan under which stock acquisition rights are granted on specially favorable terms to the recipient (except where such rights are granted to all of its shareholders on a pro-rata basis at the same time), then the Company must obtain approval by super-majority (as defined in the Code) at the general meeting of shareholders. Such approval is applicable only to stock acquisition rights to be granted within one year from the date of the approval.

CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT

Recently, as business operations become more global, society's expectation of a company's contribution towards sustainable development has increased and the scope of such expectation has expanded. Toyota has long engaged in business with the idea of corporate social responsibility in mind, and we have used internal working groups and other bodies to investigate in depth means of responding to societal demands. We strongly believe that by putting into practice the spirit of the "Guiding Principles at Toyota," we are fulfilling society's expectation of Toyota, and in January 2005, we prepared and distributed an explanation paper called "Contribution towards Sustainable Development," which interprets the "Guiding Principles at Toyota."

This manual, prepared from the standpoint of how we can contribute to sustainable development, is intended to convey Toyota's basic policies concerning social responsibility to external stakeholders and to promote accurate understanding among all employees including employees of consolidated subsidiaries and business partners.

GUIDING PRINCIPLES AT TOYOTA

1. **Honor the language and spirit of the law of every nation and undertake open and fair corporate activities to be a good corporate citizen of the world.**
2. **Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in the communities.**
3. **Dedicate ourselves to providing clean and safe products and to enhancing the quality of life everywhere through all our activities.**
4. **Create and develop advanced technologies and provide outstanding products and services that fulfill the needs of customers worldwide.**
5. **Foster a corporate culture that enhances individual creativity and teamwork value, while honoring mutual trust and respect between labor and management.**
6. **Pursue growth in harmony with the global community through innovative management.**
7. **Work with business partners in research and creation to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.**

[CONTRIBUTION TOWARDS SUSTAINABLE DEVELOPMENT]

We, TOYOTA MOTOR CORPORATION and our subsidiaries, take initiative to contribute to harmonious and sustainable development of society and the earth, based on our Guiding Principles.

We comply with local, national and international laws and regulations as well as the spirit thereof and we conduct our business operations with honesty and integrity.

In order to contribute to sustainable development, we believe that management interacting with its stakeholders as described below is of considerable importance, and we will endeavor to build and maintain sound relationships with our stakeholders through open and fair communication.

Customers

- Based on our philosophy of "Customer First", we develop and provide innovative, safe and outstanding high quality products and services that meet a wide variety of customers' demands to enrich the lives of people around the world. (Guiding Principles 3 and 4)

- We will endeavor to protect the personal information of customers in accordance with the letter and spirit of each country's privacy laws. (Guiding Principle 1)

Employees

- We respect our employees and believe that the success of our business is led by each individual's creativity and good teamwork. We stimulate personal growth for our employees. (Guiding Principle 5)
- We support equal employment opportunities, diversity and inclusion for our employees and do not discriminate against them. (Guiding Principle 5)
- We strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees. (Guiding Principle 5)
- We respect and honor the human rights of people involved in our business and, in particular, do not use or tolerate any form of forced or child labor. (Guiding Principle 5)
- Through communication and dialogue with our employees, we build and share the value "Mutual Trust and Mutual Responsibility" and work together for the success of our employees and the company. (Guiding Principle 5)
- Management of each company takes leadership in fostering a corporate culture and implementing policies, that promote ethical behavior. (Guiding Principles 1 and 5)

Business Partners

- We respect our business partners such as suppliers and dealers and work with them through long-term relationships to realize mutual growth based on mutual trust. (Guiding Principle 7)
- Whenever we seek a new business partner, we are open to any and all candidates, regardless of nationality or size, and evaluate them based on their overall strengths. (Guiding Principle 7)
- We maintain fair and free competition in accordance with the letter and spirit of each country's competition laws. (Guiding Principles 1 and 7)

Shareholders

- We strive to enhance corporate value while achieving stable and long-term growth for the benefit of our shareholders. (Guiding Principle 6)
- We provide our shareholders and investors with timely and fair disclosure on our operating results and financial condition. (Guiding Principles 1 and 6)

Global Society / Local Communities

Environment

- We aim for growth that is in harmony with the environment throughout all areas of business activities. We strive to develop, establish and promote technologies enabling the environment and economy to coexist harmoniously and to build close and cooperative relationships with a wide spectrum of individuals and organizations involved in environmental preservation. (Guiding Principle 3)

Community

- We implement our philosophy of "respect for people" by honoring the culture, customs, history and laws of each country. (Guiding Principle 2)
- We constantly search for safer, cleaner and superior technology to develop products that satisfy the evolving needs of society for sustainable mobility. (Guiding Principles 3 and 4)
- We do not tolerate bribery of or by any business partner, government agency or public authority and maintain honest and fair relationships with government agency and public authority. (Guiding Principle 1)

Philanthropy

- Wherever we do business, we actively promote and engage, both individually and with partners, in philanthropic activities that help strengthen communities and contribute to the enrichment of society. (Guiding Principle 2)

Positioned for the Future

WITH A FOCUS ON GROWTH AND EFFICIENCY

Contents

01.

PRODUCT AND BRAND STRATEGY

Lexus will debut in Japan in August 2005 as a new global, premium brand for the 21st century. Lexus will strive to appeal to the hearts and emotional values of luxury customers through the creation of its own distinctive brand value.

To heighten its value in markets worldwide, Toyota will put into effect product and brand strategies that reflect local needs and market environments.

Strengthening Product Lineups That Match Local Needs

Drawing from our extensive lineup of vehicles, we are creating regional product strategies aimed at motivating as many customers as possible around the world to choose Toyota vehicles.

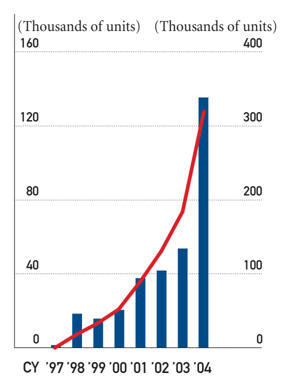
Toyota is taking steps to tap local demand in markets worldwide. For example, to draw young, first-time Toyota customers, we have begun full-scale marketing of Scion-marque vehicles in North America. And, local production of a full-size pickup truck is scheduled to increase beginning in 2006. In Europe, we began joint manufacturing of small passenger cars with a local automaker in February 2005. In China, Toyota is steadily assembling a full model lineup that ranges from compact cars and SUVs to high-end sedans. Further, as the IMV project got under way, other regions, centered on ASEAN countries, saw the rollout of a series of five new models—three pickup trucks, an SUV, and a minivan.

Developing Hybrid Vehicles and Other Market-Creating Products

Toyota helps expand the automotive market through tireless development of vehicles that create markets by offering new value. Launched in 2003, the new Prius earned resounding endorsement the world over. In fiscal 2005, hybrid sales surged 2.5 times year on year, to approximately

Mark X

Hybrid Vehicle Sales



Note: Different from fiscal year figures

151,000 vehicles. And, March 2005 witnessed the unveiling of two SUVs, the Harrier and the Kluger, powered by hybrid systems. We will continue filling out our team of hybrid vehicles, including the introduction of hybrid Lexus models.

Also, we made efforts to invigorate Japan's market by introducing the Porte new-concept vehicle, the Isis midsize minivan, and the Mark X luxury sedan.

Bringing a New Global, Premium Lexus Brand to Japan

In 1989, Toyota began marketing the Lexus as its premium brand in North America. Since then, the success of Lexus-brand automobiles has been breathtaking. For the past five years, the Lexus has been the best-selling high-end car in the U.S. In fiscal 2005, Lexus sales grew an impressive 3.7% year on year, to approximately 358,000 vehicles.

Lexus GS

In August 2005, the Lexus will debut in Japan. In every aspect of product development, sales, marketing, and customer service, we are determined to clearly differentiate Lexus from the Toyota brand. Lexus will strive to become the premium brand of the 21st century and beyond through the relentless pursuit of perfection and the true meaning of luxury. Lexus will continuously make efforts to provide its customers with the finest products and the most satisfying automobile ownership experience.

Overview of Lexus Operations in Japan

Operational start-up	August 2005
Dealer network	180 dealers*1
Models	GS, SC, IS, LS*2
Sales plan	50,000 – 60,000 vehicles annually

*1 At the launch of operations, there will be 143 dealers. Plans call for the creation of a 150-dealer network by the end of 2005.

*2 Initially, the GS, the SC, and the IS will be marketed, with the introduction of the LS scheduled for summer 2006.

Lexus Vehicle Sales by Model (FY 2005)

(Thousands of units)

LS	40
GS	10
ES	89
IS	20
SC	11
LX	14
RX	138
GX	36
Total	358

Topics — New R&D Centers Opened in Australia and Thailand

In response to growing regional sales, we upgraded our product development capabilities in Asia and Oceania in 2005 by establishing new research and development facilities in Australia in March and in Thailand in May. The new facilities reflect local demand by tailoring the bodywork and specifications of vehicle platforms and basic models developed in Japan.

02.

NEXT-GENERATION TECHNOLOGY DEVELOPMENT

Toyota has included its advanced hybrid system in an SUV. Combining the environmental performance of a compact car with outstanding acceleration and power, the Harrier hybrid gives unprecedented driving excitement.

By consistently devising out-of-the-box technologies and vehicles that are one or two steps ahead of the times, Toyota will continue its role as the global automobile industry's pathfinder.

Pursuing the "Zero-nize" and "Maxi-mize" Vision

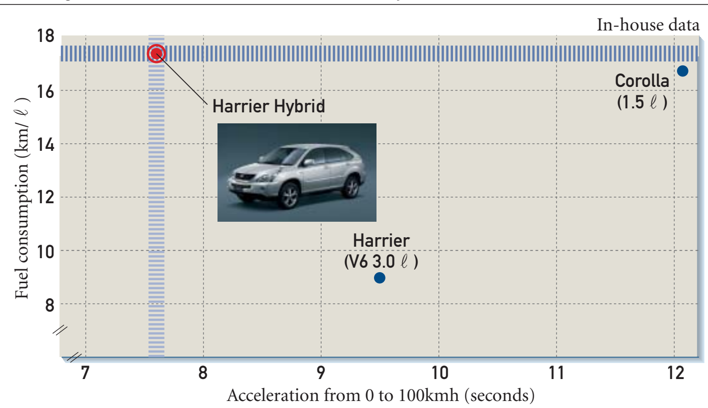
"Zero-nize" and "Maxi-mize" are the terms we use to sum up the vision and philosophy that guide our technology development initiatives. Under the vision of "Zero-nize," we are persistently seeking to eliminate the negative aspects of car society, such as environmental problems, traffic accidents, and congestion, while fully maximizing, under the vision of "Maxi-mize"-ing, the positive aspects, including fun, comfort, and convenience.

We believe that the mission of automakers in the 21st century is to offer vehicles that inspire and excite customers by simultaneously pursuing both "Zero-nize"-ing and "Maxi-mize"-ing. That is why we are committed to stepping up our development of highly original technologies.

Marrying Advanced Environmental and Driving Performance in Hybrid Technology

Since launching the inaugural Prius in 1997, we have continued to innovate hybrid technology based on the belief that it will become a central part of eco car manufacturing in the 21st century. That conviction was borne out by the worldwide reverberations caused by the launch of the new Prius in September 2003. Powered by a leading-edge second-generation hybrid system based on the hybrid synergy drive concept, the latest Prius achieves dramatically improved environmental and driving performance.

Achieving Both Acceleration and Fuel Economy



Note: Fuel consumption is based on Japanese 10･15 test mode, which combines city and highway driving.

Furthermore, in March 2005 we took the wraps off two SUVs (Harrier Hybrid and Kluger Hybrid) that incorporate a newly developed high-power hybrid system, which, in tandem with a brawny motor, realizes acceleration and power that surpass those of conventional cars. At the same time, the vehicles boast fuel efficiency on a par with compact-class cars and cleaner exhaust emissions. The evolution of Toyota's fleet of hybrid vehicles under the visions of "Zero-nize" and "Maxi-mize" has only just begun.

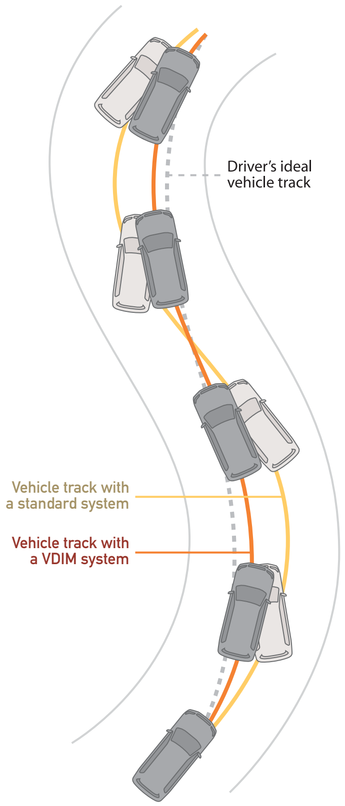
Simultaneous Pursuit of "Zero-nize" and "Maxi-mize" in Safety Technology

Safety is no exception to our efforts in pursuit of both "Zero-nize" and "Maxi-mize." The Crown Majesta unveiled in July 2004 features a VDIM (Vehicle Dynamic Integrated Management) system that provides excellent steering performance and stability by employing highly sophisticated technology to seamlessly correct overall vehicle behavior before reaching performance limits. As a result, the vehicle simultaneously realizes active safety that provides additional support to the driver in keeping control of the vehicle and driving pleasure through outstanding dynamic performance that corresponds very closely to the driver's intended vehicle behavior.

Also, at the 11th World Congress on Intelligent Transport Systems held in Nagoya in October 2004, we showcased our development pipeline, which includes a next-generation driving support system that controls vehicles and prevents collisions by using a laser sensor to warn the driver and the vehicle of a range of potential dangers.

Crown Majesta

Vehicle Track with a VDIM System



Topics Telematics Takes Another Step Forward with G-BOOK ALPHA

Launched in April 2005, the G-BOOK ALPHA is the latest evolutionary stage of the telematics system that we are preparing for the advent of the 21st century's ubiquitous society. In line with the basic concept of developing technology that is reliable, safe, and comfortable, the new system includes HELPNET as standard, which enables drivers to contact emergency services to request help in the event of an accident or sudden illness. Moreover, the system has a new-paradigm car audio system, G-DRM* (Digital Rights Management). We intend to evolve telematics further as a technology that enhances automotive convenience.

* G-DRM is a leading-edge digital copyright protection system that stores and manages encrypted musical data on hard disks. When vehicles are shipped, more than 10,000 musical titles are encrypted and stored in digital format on the navigation system's hard disk. Customers download and purchase the licenses and decrypt keys of titles that they want to listen to from a network.

03. PRODUCTION ENGINEERING INNOVATION

China's first locally built Crown luxury sedan rolled off the line in fiscal 2005. The most prestigious Toyota-marque vehicle, the Crown is manufactured at a plant incorporating leading-edge production equipment and production engineering.

Through relentless production engineering innovation, Toyota is building a lean production system that allows the efficient manufacturing of high-quality vehicles anywhere in the world.

Supporting Rapidly Expanding Overseas Production

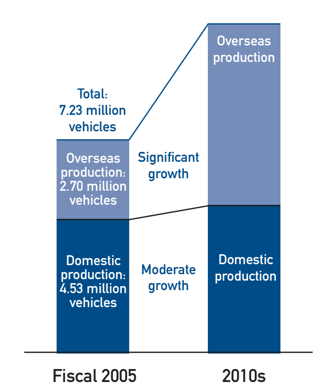
Toyota's worldwide consolidated vehicle production reached 7.23 million units in fiscal 2005—up approximately 2.2 million vehicles from five years ago. Further, we project that by the 2010s ever-increasing local production will nearly double the roughly 2.7 million vehicles that we currently build overseas.

Rocketing output is not the only challenge. As vehicle manufacturing operations spread over more countries and regions, the number of models and vehicle body shapes is increasing. Therefore, the amount of work devoted to model changeovers is mounting rapidly. Given that situation, Toyota must enhance efficiency dramatically without sacrificing quality. Meeting that challenge is one of the main tasks of production engineering innovation.

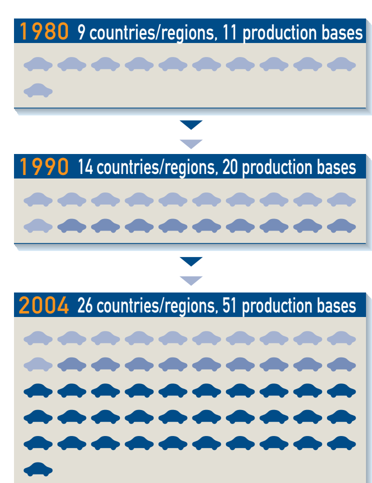
Evolving the Ultimate Lean Production System

Toyota has taken decades to develop the much-studied Toyota Production System, or TPS. By further evolving TPS, our production engineering innovation aims to establish the ultimate lean production system. Locked on to that target, we are revolutionizing existing production engineering to achieve improvements on a different order of magnitude from anything tried before.

Growth in Global Production



Expansion of Overseas Production Bases

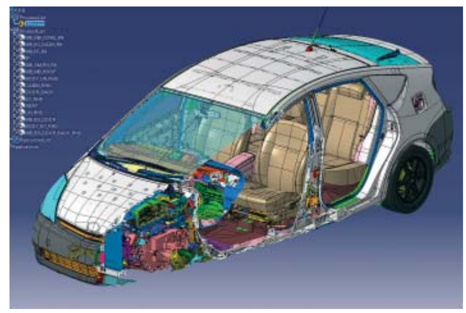


Seeking to simplify and downsize molds and other production equipment, UMR (Unit & Material Manufacturing Reform) has already realized remarkable benefits in a range of operational areas and is now being rolled out globally. Other innovations include our digital engineering technology V-Comm, which raises operational efficiency and radically reduces costs by enabling engineers to use virtual vehicles to simulate development, design, and production preparation.

Creating Next-Generation Production Engineering

To emerge successful from the tough competition in the 21st century's automobile industry, automakers must take on next-generation production innovation that embraces a broad spectrum of technological fields, including material technology, recognition technology, weight reduction technology, and information control technology. To gain an edge in markets, in-house development of those technologies is key.

To take one example, in the past several years Toyota has channeled resources into the development of industrial robots. Conventionally, robots are used for spot welding at vehicle production plants. However, we are creating next-generation robots that will perform a much wider range of tasks. Already, we have developed and introduced new robots that assemble various components and rapid-transportation robots for stamping lines.



V-Comm (Visual and Virtual Communication)

Welding robot

Topics | **Set Parts System Assembly Improves Efficiency**

On a typical vehicle assembly line, production personnel choose parts one by one from shelves alongside the line and attach them to the vehicle body. In the Set Parts System, a work box prepared beforehand with all of the parts needed is positioned inside the vehicle body. Because that system completely separates component carrying and assembly, cumbersome shelves disappear, operational efficiency increases, and production lines shorten.

04.

GLOBALLY OPTIMAL PRODUCTION AND SUPPLY SYSTEM

Toyota activated production of the IMV series in Thailand in August 2004. In response to the immediate popularity of the Hilux VIGO and the other models, Toyota has upwardly revised production plans. The IMV series has already begun expanding shipments to markets worldwide.

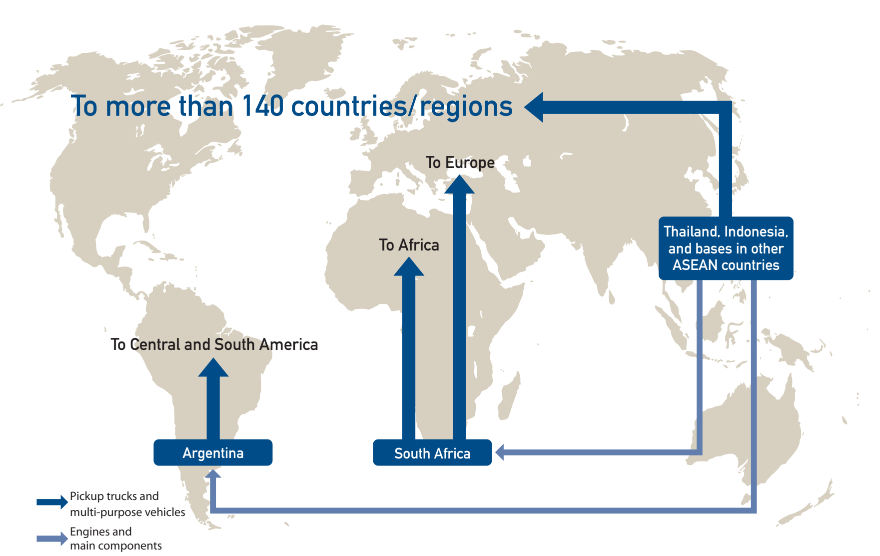
Taking on the challenge of building a global production and supply system, the IMV* project is providing vehicles with enhanced appeal to growth markets the world over. * Innovative International Multi-purpose Vehicle

Building a Globally Optimal Production and Supply System

Production of the IMV series started in August 2004. Setting its sights on constructing a globally optimal production and supply system that will bring vehicles to the markets of more than 140 countries and regions, the IMV project has begun developing pickup trucks and other vehicles exclusively for overseas demand. IMVs built in four main assembly nations—Thailand, Indonesia, South Africa, and Argentina—will be shipped to countries in Asia, Europe, Africa, Oceania, Central and South America, and the Middle East. In addition, such countries as India, the Philippines, and Malaysia manufacture vehicles for their respective domestic markets.

Also, plants in Thailand, Indonesia, the Philippines, and India split the production of such major components as engines for supply to vehicle-producing countries. For Toyota, IMV is a groundbreaking initiative because vehicles and components are built and supplied by a global operating platform that consists entirely of bases outside Japan and because production starts up almost simultaneously in the four main vehicle assembly nations mentioned.

Overview of the IMV Project



Marketing More Attractive and Affordable Products

The IMV project's starting lineup comprises five models: three pickup trucks, a minivan, and an SUV. To ensure that as many people as possible can enjoy those vehicles, we have sought to make everything about them "global best," including quality, performance, and pricing.

For example, while we have curbed costs by using the same platform for the five models, we have realized class-leading power and fuel economy by putting newly developed gasoline engines and clean common-rail diesel engines under the hoods. Further, the vehicles' distinctive shared traits include heading-turning styling; roomy, upmarket cabin interiors that afford passenger-car comfort; and the durability to cope with a wide variety of driving conditions. Toyota is able to produce such high-quality IMVs by working in close collaboration with local suppliers. For example, in Thailand the local purchasing ratio is now 96%.

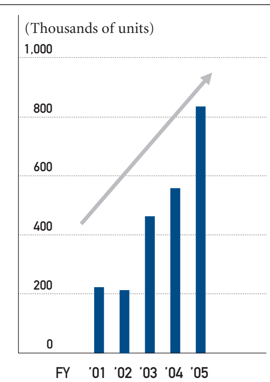
IMV series Fortuner

Stepping Up Our Ability to Supply Growth Markets

The backdrop to our pursuit of the IMV project is the rapid growth of automotive markets in ASEAN countries centered on Thailand. Demand for pickup trucks and multipurpose vehicles is particularly robust. So strong in fact that we had to upwardly revise initial production plans for the IMV project from approximately 500,000 vehicles to about 700,000 vehicles. To meet such demand, Toyota is expanding its production platform by building a new plant in Thailand and ramping up capacity in Indonesia.

In only three years, Toyota's consolidated vehicle sales in Asia have more than tripled, clearing approximately 830,000 units in fiscal 2005. Markets in Africa and Central and South America are also trending toward expansion, and Toyota aims to make a large stride forward through decisive deployment of the IMV project.

Toyota's Rapidly Growing Unit Sales in Asia



Main Production Bases of the IMV Project

Country	Production model	Start of production	Annual production capacity	Export destination
Thailand	Pickup trucks SUV	August 2004 November 2004	Total 350,000 vehicles: 2007 (of which approximately 152,000 vehicles for export)	Asia, Europe, and other regions, including Oceania
Indonesia	Minivan	September 2004	100,000 vehicles: 2006 (of which approximately 12,000 vehicles for export)	Asia and Middle East
South Africa	Pickup trucks / SUV	April 2005	120,000 vehicles: 2007 (of which approximately 60,000 vehicles for export)	Regions including Europe and Africa
Argentina	Pickup trucks / SUV	February 2005	65,000 vehicles: 2006 (of which approximately 45,000 vehicles for export)	Central and South America

The names of production bases in respective countries are as follows.
Thailand: Toyota Motor Thailand Co., Ltd. **Indonesia:** PT. Toyota Motor Manufacturing Indonesia
South Africa: Toyota South Africa Motors (Pty) Ltd. **Argentina:** Toyota Argentina S.A.

05.

COST REDUCTION ACTIVITIES

Toyota has grown market support through unflagging cost reduction efforts focused on all of its models, including Toyota's signature global car: the Corolla. Our quest to make better products less expensively goes on.

We are approaching cost reduction activities from a new angle in a bid to offer customers around the world better, more affordable cars.

Shifting from Item-Based to Systems-Based Innovation

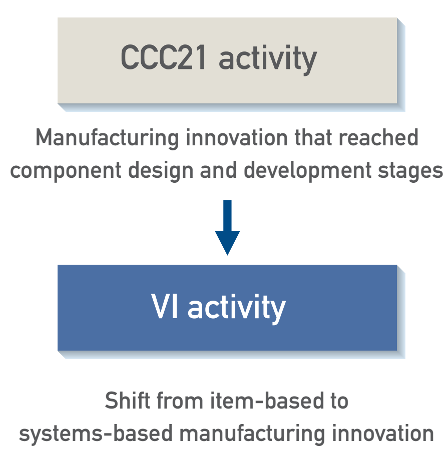
Toyota has achieved outstanding results by working in partnership with component manufacturers and other suppliers to advance the CCC21 (Construction of Cost Competitiveness for the 21st Century) all-round cost reduction activity since 2000. Thanks to those efforts, we have seen annual cost savings of about ¥200 billion, peaking at almost ¥300 billion in fiscal 2003. Building on that proven track record, Toyota began the VI (Value Innovation) activity in April 2005.

As with its predecessor, the new project will require close coordination with suppliers. However, the new project will go one step beyond CCC21's item-based cost innovation to focus on systems-based innovation. Adopting a revolutionary approach to designing, we will aim for comprehensive, breakthrough cost reductions by treating associated parts as integrated systems.

Accelerating Cost Reduction Efforts Based on Mutual Trust

A feature of Toyota's cost reduction activities is that rather than focusing purely on price reductions, they initiate a chain of manufacturing innovation that reaches all the way back to the design and development stages. As a result, such initiatives involve collaboration among suppliers and a wide range of the Company's divisions,

Transition in Cost Reduction Activities



including design, production engineering, and purchasing. By significantly improving efficiency and lowering costs, that dynamic, multifaceted cooperation is a driver of our products' growing competitiveness.

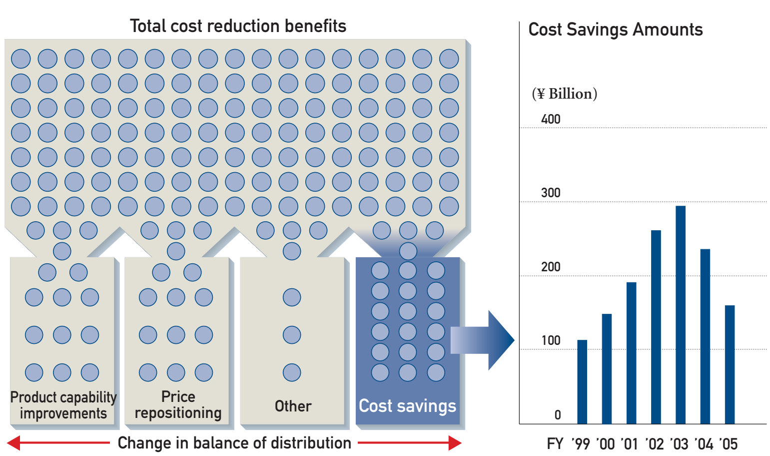
Toyota pursues its cost reduction efforts based on long-term relationships of mutual trust with suppliers. We work toward challenging targets as partners. And, the improvements gained through those initiatives strengthen the corporate organizations and market competitiveness of Toyota and its suppliers.

Returning Cost Reduction Benefits to Customers

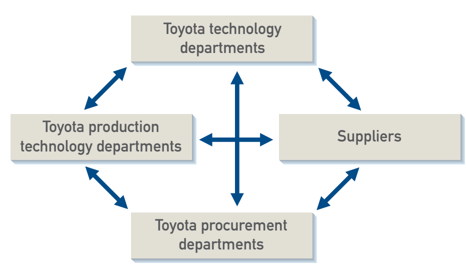
Toyota's cost reduction programs generate far more benefits than just cost savings. We return the benefits of cost reductions to customers by ploughing the freed-up resources back into product upgrades or price repositioning. In other words, bottom-line cost savings amounts only show a part of the overall benefits generated by cost reduction activities. That process of converting savings into higher quality enables us to offer new models with markedly improved functionality and performance at prices that are the same or lower than before.

In recent years, the figures for cost savings have been declining. However, that decrease reflects the impact of higher raw materials costs and a change in the distribution balance of the freed-up resources rather than a slackening of cost reduction activities. We remain committed to the resolute implementation of cost reduction activities that provide customers with better vehicles at affordable prices.

Toyota's Distribution of Cost Reduction Benefits



Four-Phase Integrated Reforms



Discussions with suppliers

IMV cost reduction activities

06.

HUMAN RESOURCES DEVELOPMENT

Toyota's overseas plants roll out more than 600,000 Camry models a year. No matter where a vehicle is built, it must satisfy a uniform set of quality benchmarks. By training employees on a truly global scale, Toyota is able to meet those requirements.

Since its foundation, Toyota has developed human resources based on Toyota Way values, and this approach will be the wellspring of the Company's future competitiveness.

Promoting Human Resources Development and Diversity

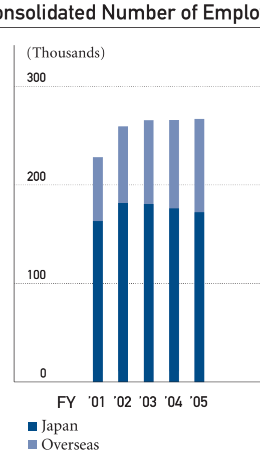
In the achievement of sustainable growth, personnel are the most precious management resource that a company has. Put another way, the quality of personnel impacts companies' progress. One of Toyota's strengths is a management approach that fully brings out the talents of each employee. Therefore, even as our business expands geographically and our portfolio of businesses grows, we are implementing thorough employee training programs.

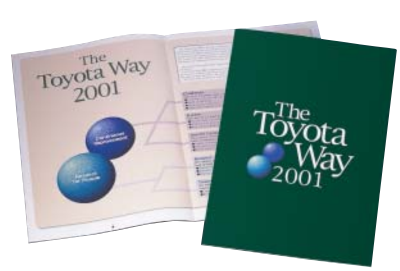
Further, we are working to increase the diversity of our workforce. Employing more than 260,000 people worldwide, Toyota is enhancing personnel systems and workplace environments to enable individual employees to maximize their skills and contribute to operations.

Sharing Toyota Way Values in the Manufacturing Workplace and in Management

In April 2001, Toyota explicitly identified the Toyota Way management values that had traditionally been based on implicit knowledge. The Toyota Way is based on the dual pillars of Respect for People and Continuous Improvement, which comprise five principles: Challenge; *Kaizen*, or improvement; *Genchi Genbutsu*, or go and see; Teamwork; and

Consolidated Number of Employees





In 2001, the Toyota Way was explicitly identified so that it could be adopted by employees around the world.

Respect. We use those guidelines to motivate all Toyota employees involved in manufacturing and to create a sense of solidarity among them.

Further, with a view to fostering managers capable of putting the Toyota Way into practice, we established the Toyota Institute at our head office in 2002. Many of our overseas production and sales companies are now steered by local managers. Also, six of the Company's managing officers are from overseas.

Training Professionals Rapidly through GPC

In July 2003, Toyota established GPC, or Global Production Center, to swiftly equip large numbers of personnel with the skills to manage plants in Japan and overseas. In addition to training multiskilled, resilient personnel for global operations, the center promotes the creation of efficient production methods and systems and conducts skills training for short-term employees.

In only two years, the center has significantly enhanced operations in the field. Since opening, more than 4,600 employees have completed training courses at GPC. And, we plan to maintain that level by training 2,000 employees a year at the center. Moreover, Toyota intends to create GPC branches in the U.S., Europe, and Asia to step up the pace and global scope of training for professional production site managers. We are confident that those measures will enhance the competitiveness and self-reliance of our overseas production platforms.

Skills training at GPC

Topics | Dedicated Training Facility for Lexus Employees in Japan

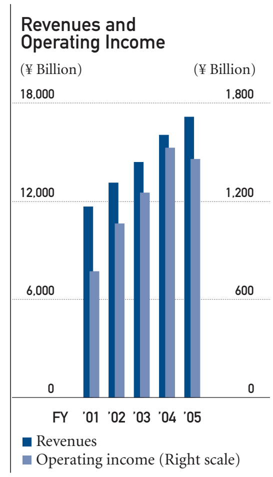
Toyota has created the Fuji Lexus College within Fuji Speedway, in Shizuoka Prefecture, Japan, as a training center for all staff that work at Lexus dealers in Japan. As well as imparting in-depth specialist knowledge and skills, the college helps establish a common understanding among employees of the Lexus brand's value. Taking advantage of Fuji Speedway, we also conduct training that lets employees experience the driving performance of Lexus models firsthand.

Business Overview

Contents

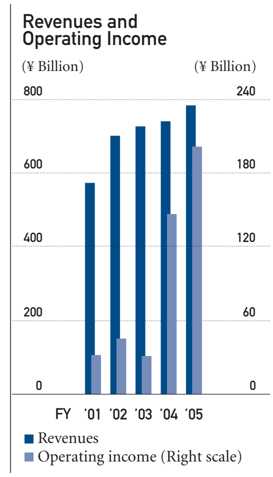
Automotive Operations

In fiscal 2005, the segment saw increases of 7.1% in consolidated revenues, to ¥17,113.5 billion, due to growth in production and vehicle sales. Operating income declined 4.4%, to ¥1,452.5 billion, as a result of the effect of currency exchange rate fluctuations, a decrease in gains recognized on transfer of substitutional portion of the employee pension fund to the government, and an increase in research and development expenses and other costs, which were partially offset by the benefits of growth in production and vehicle sales and cost reduction efforts.



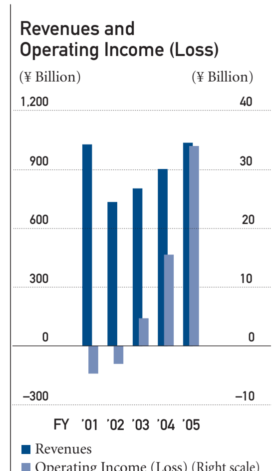
Financial Services Operations

Consolidated revenues grew 6.0% from the previous fiscal year, to ¥781.2 billion, due to a higher finance volume that resulted from favorable vehicle sales. Operating income rose 37.6%, to ¥200.8 billion. In addition to the factors stated above, this gain was primarily due to improved credit loss performance and reduced residual losses on lease vehicles.



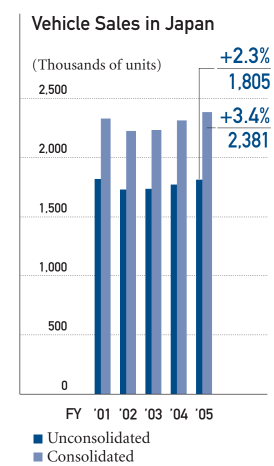
Other Business Operations

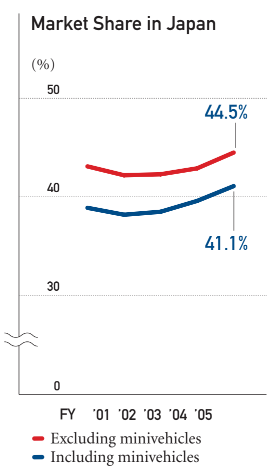
The segment posted a 15.0% upturn in consolidated revenues, to ¥1,030.3 billion, while operating income rose 2.2 times, to ¥33.7 billion. The increase in operating income was mainly due to favorable production and sales in the housing business.



AUTOMOTIVE OPERATIONS

Japan





Against a backdrop of steady demand in the domestic automotive market, Toyota is rebuilding its product strategy and sales channels to become even more competitive.

MARKET CONDITIONS

Domestic automotive market (excluding minivehicles) holding steady around 4-million vehicle mark

In fiscal 2005, overall sales in Japan's automotive market of 5.82 million units were at roughly the same level as in the previous fiscal year. And, the market excluding minivehicles saw shipments remain firmly in the region of 4 million units, with 3.94 million vehicles sold. Although the size of Japan's automotive market is unlikely to change dramatically in the near term, we are confident that there is significant potential for market growth based on full-fledged economic recovery and the deployment of higher-value-added products that offer outstanding environmental and safety performance. Looking at Japan's market structure, in the past several years compact cars and highly useful minivans with three rows of seats have stimulated strong demand.

PERFORMANCE OVERVIEW

Toyota claims more than 40% of non-minivehicle market for seventh straight year

The Toyota Group, including Daihatsu Motor Co., Ltd., and Hino Motors, Ltd., grew domestic vehicle sales on a shipment basis for the third year in a row. As a result, the Group expanded its share of the domestic market including minivehicles to 41.1% while staking out its largest-ever share of the market excluding minivehicles—44.5%.

On the back of the recent popularity of compact cars and minivans, Toyota-brand vehicles, such as the Wish, the Passo, and the Alphard high-end minivan, have been selling

Lineup Milestones

2004	June	Launch of the **Passo** compact car
	July	Full remodeling of the **Crown Majesta** large-size sedan
		Launch of the **Porte** new-concept vehicle
	September	Launch of the **Isis** midsize minivan
	November	Launch of the **Mark X** midsize sedan
2005	February	Full remodeling of the **Vitz** next-generation compact car
	March	Launches of the **Harrier** and the **Kluger** hybrid SUVs

well. And, we shipped more than 100,000 units of the Crown, thanks to a full model change of the luxury sedan in the previous year. Moreover, the mainstay Corolla was Japan's best-selling car for the second successive year, and the Prius hybrid vehicle continued to sell briskly. In addition, unit sales of Daihatsu-brand minivehicles and Hino-brand trucks were up.

MARKET STRATEGY

Stake out and retain 45% share of non-minivehicle market

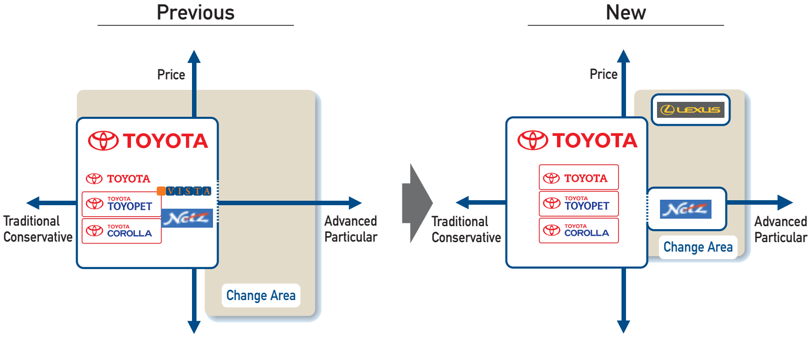
In domestic operations, Toyota's medium-term mission is to develop the competitive muscle to capture and hold a 45% share of the Japanese automotive market excluding minivehicles. To that end, in February 2003 we announced a revised product strategy and began reforming sales channels to reflect changing times. In May 2004, we consolidated domestic, Toyota-brand sales channels from five to four and defined the roles and targets of the remaining channels more clearly. Of those channels, the revitalized Netz channel—created by combining the former Netz and Vista channels—is steadily earning endorsement among the growing numbers of customers with distinctive values.

Further, August 2005 is slated for the Japanese premiere of the Lexus, which we aim to develop into a globally recognized prestige brand. Plans call for the unveiling of the GS and the SC in August, followed one month later by the IS, with the fourth model, the LS, launching in summer 2006. In the immediate future, we are looking to market between 50,000 and 60,000 Lexus vehicles annually.

New Vitz

Channel and Brand Reconstruction

Sales Channel Matrix



Passo

Netz—A New Incarnation

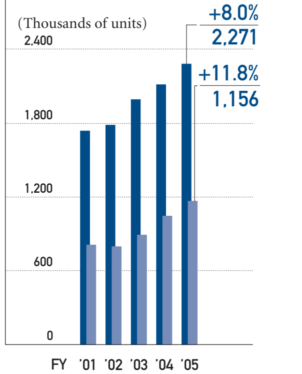
Our reinvented Netz channel targets customers that value advanced, particular features. A love of fun and fashion unites Netz outlets' unique style, which is reflected in every aspect of operations from manufacturing through marketing. In the medium term, the channel aims to sell more than 600,000 vehicles a year through 1,600 dealers nationwide.

AUTOMOTIVE OPERATIONS

North America

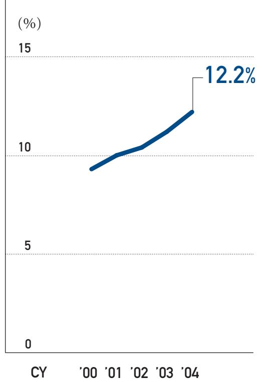
For Toyota, there is still room for growth in the North American market. We will grow operations by further advancing localization and by strengthening lineups.

Consolidated Vehicle Sales and Production in North America



* Excluding vehicles produced by NUMMI (unconsolidated company)

Market Share in North America



Note: Different from fiscal year figures

MARKET CONDITIONS

Steady growth puts U.S. market on track to clear 17 million vehicles

In calendar 2004, a resurgent U.S. automotive market saw year-on-year growth for the first time since 2000, with sales of 16.9 million vehicles representing the market's fourth-highest watermark. Low interest rates, tax cuts, and automakers' stepped-up marketing of new models drove up sales. In addition, Japanese automakers' market share is steadily growing. And, a rising population will likely grow the U.S. market beyond 17 million vehicles in the near future. Meanwhile, in 2004 the Canadian market shrank for the second straight year, recording 1.53 million vehicle sales.

PERFORMANCE OVERVIEW

Toyota notches up record vehicle sales in U.S. market for ninth consecutive year

In North America in fiscal 2005, Toyota sold an all-time-high 2.27 million vehicles and built a record 1.15 million vehicles on a consolidated basis. Adding Toyota-brand vehicles contributed by unconsolidated New United Motor Manufacturing, Inc. (NUMMI), North American production amounted to 1.47 million units.

In the United States, Toyota sold 2.06 million vehicles in calendar 2004, the ninth successive year that it has broken the previous year's record, and grew market share to 12.2%. Moreover, Toyota-brand vehicles ranked first in passenger car sales for the second year in a row, with the Camry retaining the title of top-selling passenger car for a third year. Further, the Lexus lengthened to five years its reign as America's most popular high-end car. Sales of Scion-marque vehicles were also strong. A network of more than 700 dealers across the United States sold approximately 98,000 cars in calendar 2004 under the Scion marque following its nationwide launch in July 2004. In Canada, Toyota's unit sales reached a new high for the third straight year in calendar 2004, and market share expanded to 11.1%. Meanwhile, in the 2005 Initial Quality Study[SM] conducted by J.D. Power and Associates the Lexus extended its long reign as the best brand, while Toyota vehicles commanded the top position in 10 of 18 segments.

Scion tC

In production, the plant in Mexico started up, while the plant in Alabama bolstered its engine production capacity.

MARKET STRATEGY

Pioneer new markets to widen customer base

Aiming to make the most of ongoing growth in the promising North American market, we will expand operations by fortifying local production capacity and product lineups. The Texas plant, coming on stream in 2006, and the second assembly plant in Canada, scheduled to start-up in 2008, will increase local production capacity to 1.81 million vehicles. Toyota also wants to strengthen local product development capabilities. Therefore, we have scheduled spring 2006 to break ground for new facilities that will enlarge the Michigan research and development center.

Expand Local Production Capacity to 1.81* Million by 2008

Annual Vehicle Production Capacity in North America

(Thousands of units)

1. Canada (TMMC)	250
2. Kentucky (TMMK)	500
3. Indiana (TMMI)	300
4. California (NUMMI)**	400
5. Mexico (TMMBC) (started up December 2004)	30
6. Texas (TMMTX) (scheduled for 2006 start-up)	200
7. Canada No. 2 plant (TMMC) (scheduled for 2008 start-up)	100

* The Company plans to fill the 30,000-vehicle gap relative to total plant production capacity by enhancing efficiency and personnel at existing plants.

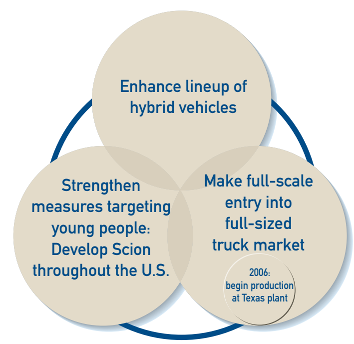
** The California plant is a Toyota-General Motors joint venture company that is accounted for using the equity method. Production capacity figures include vehicles for General Motors.

Note: Please see the Overseas Manufacturing Companies section on page 124 for full plant names.

Toyota's growth strategy in North America is to carve out three new markets: the hybrid vehicle market, the full-size pickup truck market, and the youth market. Steadily adding to its stable of hybrids, Toyota introduced an SUV hybrid, the Lexus RX, in April 2005. Also, in the second half of 2006 local production of a hybrid Camry is scheduled to begin at the Kentucky plant. In 2006, the Tundra full-size pickup truck will start rolling off the line at the new Texas plant, supplementing current production in Indiana. Premiered nationally during fiscal 2005 to target Generation Y, the Scion project is successfully broadening Toyota's appeal, with first-time customers accounting for roughly 80% of Scion-marque sales.

Key Focuses: Hybrids, Full-Size Pickup Trucks, and Scion

Growth Strategy in North America



Scion Project Begins in Earnest

We initiated the Scion project to attract Generation Y customers. In July 2004, building on the buzz created by the earlier launches of the xA and the xB in California, we added the tC and began full-scale marketing of Scion-marque vehicles through more than 700 dealers across the United States. The models are proving highly popular thanks to Internet-based marketing techniques and to a system that enables customers to order cars according to their own specifications by freely combining 40 or more different parts and accessories.

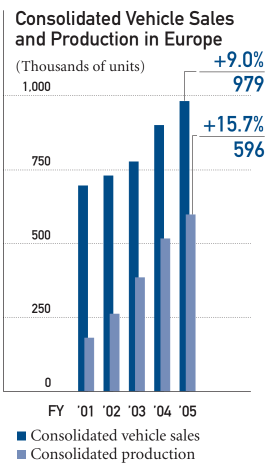
Pickup Truck Production Started in Mexico

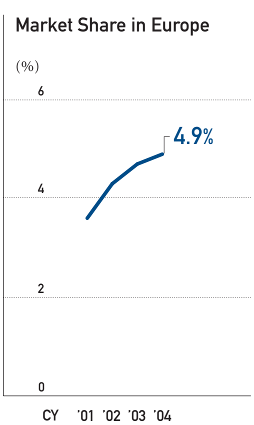
Our plant in Mexico, TMMBC, began building truck beds for the Tacoma in September 2004 and quickly progressed to the production of finished vehicles in December. Capable of rolling out 30,000 vehicles and 180,000 truck beds a year, the plant ships truck beds to the Tacoma line at the Toyota-General Motors joint-venture plant in California.

AUTOMOTIVE OPERATIONS

Europe

In Europe's fiercely competitive market, Toyota aims to increase its visibility and market share by leveraging unique environmental technology.





Note: Different from fiscal year figures

MARKET CONDITIONS

Heavy demand among major countries grows Europe's market year on year to 17.6 million vehicles

In calendar 2004, sales in the European market, comprising European Union member states, Switzerland, and Norway, expanded from the previous year to 17.6 million vehicles. Among mainstay nations, markets in Germany, France, Italy, and Spain were upbeat. Moreover, Spain's healthy economy turned in record vehicle sales for the third consecutive year.

PERFORMANCE OVERVIEW

Seven consecutive years of vehicle sales growth elevates Toyota's market presence

Reporting its highest-ever consolidated vehicle sales of approximately 979,000 units in fiscal 2005, Toyota extended its record-breaking run in Europe to seven years and claimed almost 5% of the market. Also, our passenger and commercial vehicles boasted leading shares of markets in Finland, Norway, and Greece. Meanwhile, consolidated production jumped to approximately 596,000 vehicles due to a range of measures to increase local capacity.

Among Toyota-brand vehicles, the Yaris further reinforced its position as our flagship mass production model by besting its previous sales record for the sixth consecutive year to pass 220,000 units. Sales of the new Avensis were also strong, clearing approximately 130,000 vehicles. As a result, Toyota's ranking in Europe's passenger car market moved up from ninth to eighth place. In another positive development, the Prius, one of our hybrid vehicles, was chosen as the 2005 European Car of the Year.

In production, our plant established jointly with PSA Peugeot Citroën in the Czech Republic began building small passenger cars

Increased Local Production Capacity to 775,000 in 2005

Annual Vehicle Production Capacity in Europe

	(Thousands of units) 2003		2005
1. United Kingdom (TMUK)	220	→	285
2. France (TMMF)	180	→	240
3. Turkey (TMMT)	100	→	150
4. Czech Republic (TPCA)	—	→	100*

* Toyota-brand vehicles
Note: Please see the Overseas Manufacturing Companies section on page 125 for full plant names.

Toyota Peugeot Citroën Automobile Czech (TPCA)

in February 2005. Following the augmentation of production at plants in the United Kingdom, France, and Turkey, we plan to increase local capacity to 775,000 vehicles a year in 2005. Further, in March 2005 a plant built in collaboration with Toyota Industries Corporation in Poland began shipping out diesel engines—bringing the combined annual diesel engine production capacity of the three plants in the United Kingdom, France, and Poland to 260,000 units. And, plans call for the construction of a plant in Saint Petersburg, Russia, that will have an annual production capacity of 50,000 vehicles, with production starting at 20,000 units beginning in late 2007.

MARKET STRATEGY

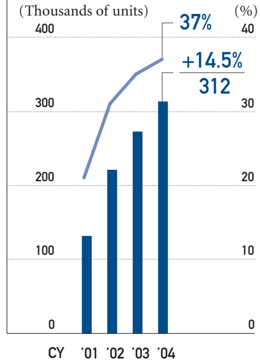
Reach 1.2 million unit sales by enhancing diesel and other lineups

For the European market, Toyota has set a medium-term sales target of 1.2 million vehicles. A key strategy for reaching that target is to expand diesel-vehicle offerings. With roughly half of its vehicles running on diesel engines, Europe has one of the world's highest concentrations of diesel vehicles. Therefore, we aim to grow sales in that market by channeling more resources into diesels. In 2004, diesels accounted for 37% of Toyota's vehicle sales in Europe, a ratio that we intend to raise even further. To that end, Toyota is phasing in additional local diesel engine production capacity.

In technology, Toyota has developed a next-generation, clean diesel system, the DPNR (Diesel Particulate NOx Reduction) system, which is available in the Avensis, the Company's mainstay model in Europe. Further, we unveiled a new, more powerful 2.2 liter diesel engine (D-4D Clean Power) at the September 2004 Paris Motor Show. And, that engine is already under the hood of the Avensis. Looking ahead, Toyota intends to become the undisputed leader in clean diesel vehicles by marketing more models equipped with DPNR systems that combine advanced environmental and driving performance.

Diesel Vehicles Surge to 37% of Sales

Diesel Vehicle Sales and Share in Europe



Note: Different from fiscal year figures

Czech Production Starts Up

February 2005 saw Toyota Peugeot Citroën Automobile Czech (TPCA), a joint venture company established with PSA Peugeot Citroën, launch the production of three small passenger car models for the European market. Of TPCA's 300,000-unit annual capacity, Toyota's Aygo will account for 100,000 vehicles, with the remaining output earmarked for the Peugeot 107 and the Citroën C1. All of those models are new four-seaters featuring clean body lines and the latest safety and environmental technologies.

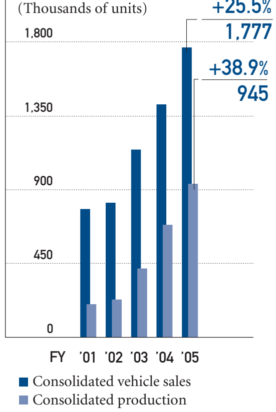
Our Latest Clean Diesel Engine Powers the IS

Toyota caused a stir at the March 2005 Geneva International Motor Show by unveiling a new Lexus IS powered by the brand-new 2.2 liter D-4D Clean Power diesel engine. This remarkable engine not only emits the least particulate matter, such as soot, and nitrous oxide of any commercial diesel engine, it packs a far bigger punch than engines in the same category, generating 180 horsepower. We plan to sell the new-model Lexus IS in Japan, the U.S., Europe, and other markets worldwide from the second half of 2005.

AUTOMOTIVE OPERATIONS

Other Regions

Consolidated Vehicle Sales and Production in Other Regions



Toyota is extending its network of companies in many different countries and regions, including Asia, Oceania, Central and South America, the Middle East, and Africa.

MARKET CONDITIONS AND PERFORMANCE OVERVIEW

Sales growth realized in diverse regions worldwide

In Other Regions in fiscal 2005, Toyota sold a record 1.77 million vehicles and built approximately 945,000 vehicles on a consolidated basis.

Breakdown of Vehicle Sales in Other Regions

	(Thousands of units)	(% change)
East and Southeast Asia	834	(+49.5)
Central and South America	185	(+27.0)
Oceania	239	(+1.5)
Other	519	(+8.9)
Total	1,777	(+25.5)

Asia: In calendar 2004, the region's market developed favorably, buoyed by vigorous automotive markets in Thailand and Indonesia. Although the pace of growth slackened, China's market reached sales of 5 million vehicles for the first time. And, with growth potential second only to China, India's market is developing steadily.

Overall, the initiation of the IMV (Innovative International Multipurpose Vehicle) project in ASEAN countries and growth in China boosted sales in the region.

Central and South America: In calendar 2004, the markets of Argentina and Venezuela expanded markedly while Brazil's market held firm. Toyota achieved its highest-ever sales in Brazil, Argentina, and Chile.

Oceania: Buoyed by brisk sales of small cars and SUVs, the Australian market saw 955,000 vehicle sales in calendar 2004. In that environment, the Company continued to command the largest share of Oceania's market.

Other: In the Gulf countries, we approached our best-ever sales on the back of vibrant local economies. Reflecting a robust local economy, South Africa's market has grown to 450,000 vehicles, which is the largest market in Africa. In South Africa, Toyota set a new sales record and accounts for approximately 25% of the market.

Operations in China: Recent Landmarks

2004	September	Toyota and Guangzhou Automobile Group establish a joint production and sales company in Guangzhou
		Toyota and China FAW Group Corporation announce joint production of hybrid vehicles
	November	Establishment of after-sales service technology and personnel training centers in Shanghai and Guangzhou
	December	Toyota FAW (Tianjin) Dies Co., Ltd., begins production of large stamping dies
		FAW Toyota Changchun Engine Co., Ltd., begins production of engines
2005	January	Guangqi Toyota Engine Co., Ltd., begins production of engine parts
	March	Tianjin FAW Toyota Motor Co., Ltd., begins production of the Crown

Expansion of Production Capacity in China to 335,000 Units in 2006

Start of Production	Tianjin plant	Changchun plant	Sichuan plant	Guangzhou plant
2000 December			Coaster	
2002 October	Vios			
2003 September			Land Cruiser Prado	
October		Land Cruiser		
2004 February	Corolla			
2005 March	Crown			
Scheduled	Reiz	Prius		
2006 Scheduled				Camry

Corolla

MARKET STRATEGY

Drive growth by deploying management resources to markets in China and ASEAN

China and ASEAN countries promise medium-to-long-term economic growth. Therefore, we are allocating management resources to those markets, which we view as of equal importance to Japan, North America, and Europe. In ASEAN countries, Toyota is strengthening the region's role as a strategic export base for pickup trucks and multipurpose vehicles. Centered on Thailand, that initiative is called IMV (Innovative International Multipurpose Vehicle).

In China, we aim to rapidly expand our operational foundations through strategic partnerships with major local automakers, including China FAW Group Corporation and Guangzhou Automobile Group Co., Ltd. By 2010, Toyota hopes to secure a 10% share of China's market by moving forward with localization and by building the organizational infrastructure to support a full lineup of models. Through our alliance with China FAW Group Corporation, we have already begun the production of five models in China, ranging from compact cars to luxury sedans and SUVs. Also, we plan to start up the production of the Prius hybrid vehicle and a new passenger model, the Reiz, by the end of 2005. And, from the middle of 2006 a joint venture company established with Guangzhou Automobile Group is scheduled to begin manufacturing the Camry midsize sedan, lifting annual production capacity in China to 335,000 vehicles.

Dealer in Thailand

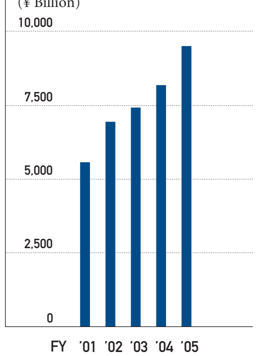
Joining Forces with Guangzhou Automobile Group

In September 2004, Toyota and Guangzhou Automobile Group Co., Ltd., jointly established the production and sales company Guangzhou Toyota Motor Co., Ltd. The new company is slated to commence annual production of 100,000 Camry models from mid-2006. Further, a joint manufacturing company that we created with Guangzhou Automobile Group in February 2004 for Camry engines began partial production from January 2005.

FINANCIAL SERVICES OPERATIONS

Total Assets by Financial Services Operations

(¥ Billion)



By offering customers sound, high-quality financial services centered on auto sales financing, Toyota is facilitating the expansion of its automotive operations.

PERFORMANCE OVERVIEW

Operating income tops ¥200 billion

Consistent with the previous fiscal year, the performance of financial services operations continued to improve, with operating income reaching ¥200 billion. This performance was due to increased financing volume associated with higher vehicle sales and enhanced financial products and quality services as well as improvement of credit and residual losses on lease vehicles.

Covering 30 countries and regions, including Japan, financial services operations center on Toyota Financial Services Corporation (TFS), which has overall control of financial services subsidiaries in Japan and overseas. TFS has constructed a global network that covers approximately 90% of the markets in which Toyota sells its vehicles. Mainly concentrated on auto loans and leases, TFS provides auto sales financing to approximately 5.4 million customers. Moreover, TFS has outstanding creditworthiness, having received the highest credit ratings of U.S. rating agencies Standard & Poor's and Moody's—AAA and Aaa, respectively.

BUSINESS STRATEGY

Remain focused on auto sales financing while offering customers comprehensive support for their lifestyles

While strengthening core auto sales financing operations, the TFS Group is focusing on offering a more comprehensive financial services lineup that can cater to customers' diverse needs. Particularly in Japan, TFS offers wide-ranging financial services that include auto sales financing, credit cards, retail sales of corporate bonds and investment trusts, and insurance.

For example, in April 2001 Toyota Finance Corporation launched a credit card named TS CUBIC CARD, with the objective of creating a more accessible and convenient credit card by undertaking a comprehensive revamping of services. Those initiatives included strengthening the card's point system in September 2004. TS CUBIC CARD had 4.74 million cardholders at fiscal year-end. Of those cardholders, joint ETC (electronic toll collection) card membership was nearly 1 million, the highest share in the ETC card industry.

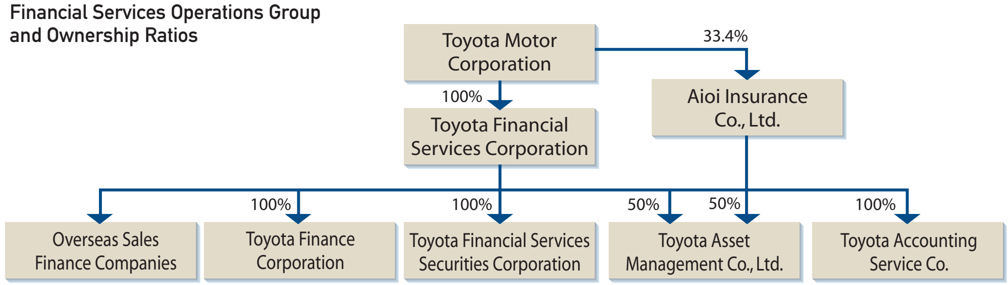
Also, Toyota Financial Services Securities Corporation is endeavoring to enhance customer services by selling such financial products as Toyota Group bonds and the Toyota Group Equity Fund (TGEF) for individuals and by opening six outlets in shopping malls and other locations.

Coverage of Approximately 90% of Toyota and Lexus Markets

Overview of Toyota's Financial Services Operations	FY 2005
Total financial services segment assets	¥9,487.2 billion
Revenues from financial services operations	¥781.2 billion
Operating income	¥200.8 billion
Credit ratings	AAA /Aaa
Operating areas	30 countries and regions worldwide
Market coverage	approx. 90%
No. of customers	approx. 10 million
No. of employees	approx. 8,000

Financial Services Operations Integrated under Toyota Group Management

Financial Services Operations Group and Ownership Ratios



OTHER BUSINESS OPERATIONS

Toyota is drawing on technology and intellectual assets cultivated in its automotive operations to energetically develop products and services that will enrich society and people's lives in the 21st century.

Information Technology and Telecommunications Business

In preparation for the full-scale advent of a ubiquitous society, we must integrate vehicles and communication—particularly mobile communication—to upgrade the convenience and comfort of cars. With that in mind, Toyota has teamed up with the general telecommunications services provider KDDI Corporation, which offers products ranging from cell phone services to domestic and international telecommunications services. Together, we are tackling farsighted initiatives that will generate breakthrough telecommunication products and services.

Intelligent Transport Systems Business

With the goals of enhancing the functionality of cars and advancing transportation systems, Toyota is creating products and systems for the realization of Intelligent Transport Systems (ITSs). At the October 2004 11th World Congress on Intelligent Transport Systems held in Nagoya, Japan, Toyota's leading-edge ITS technology was heavily featured. Still under development, Toyota's new Intelligent Multimode Transit System is being used for transportation within one of the sites of the 2005 World Exposition, Aichi, Japan, which began in March.

GAZOO Business

GAZOO is a general information network service in Japan provided by Toyota. Through the GAZOO web site, we offer a wide range of services, including information on new cars, used cars, and related services. At fiscal year-end, GAZOO's membership was 6.1 million.

Furthermore, to enhance our vehicle information services we have been developing our own telematics service, G-BOOK, which we have been working to popularize since 2003. And in April 2005, we announced the next-generation telematics service, G-BOOK ALPHA, an upgrade of the previous G-BOOK. In March 2004, we implemented a new network system in Thailand, e-CRB (Customer Relationship Building), that connects customers and dealers. We are currently working to steadily expand this service.

Housing Business

The Company's housing operations performed favorably in fiscal 2005, posting an 11.2% year-on-year increase in sales of homes, to 5,283 units. Additionally, Toyota announced a capital tie-up with Misawa Homes Holdings, Inc., in March 2005. Toyota and Misawa Homes Holdings will bolster their respective housing businesses by making use of synergies among housing development, production, and sales and other operations and by drawing on the complementarities of their sales areas and product lineups to address wide-ranging customer needs.


Sincé Cada

Marine Business

By making full use of the engines and other advanced technologies it has developed in automotive manufacturing, Toyota produces and markets motorboats and marine engines. In fiscal 2005, the Company sold 65 motorboats.

Biotechnology and Afforestation Business

To simultaneously realize the goals of environmental preservation and economic growth, Toyota actively pursues biotechnology and afforestation. We are currently successfully conducting tree planting in Australia, sweet potato processing in Indonesia, peat excavation in China, and floriculture and rooftop greening in Japan. In addition, with a view to the mass production of plant-derived bioplastics, Toyota constructed a pilot factory within its Hirose plant in October 2004 and began the annual production of 1,000 tons of bioplastics in May 2005.


Sweet potato processing plant in Indonesia

Financial Section

Contents

SELECTED FINANCIAL SUMMARY (U.S. GAAP)

Toyota Motor Corporation
Fiscal years ended March 31

	Yen in millions except per share data, share information, and other data					% change
	2001	2002	2003	2004	**2005**	2004 vs 2005
For the Year:						
Net Revenues:						
Sales of Products	¥12,402,104	¥13,499,644	¥14,793,973	¥16,578,033	**¥17,790,862**	+7.3
Financing Operations	553,133	690,664	707,580	716,727	**760,664**	+6.1
Total	¥12,955,237	¥14,190,308	¥15,501,553	¥17,294,760	**¥18,551,526**	+7.3
Costs and Expenses:						
Cost of Products Sold	¥10,218,599	¥10,874,455	¥11,914,245	¥13,506,337	**¥14,500,282**	+7.4
Cost of Financing Operations	427,340	459,195	423,885	364,177	**369,844**	+1.6
Selling, General and Administrative	1,518,569	1,763,026	1,891,777	1,757,356	**2,009,213**	+14.3
Total	¥12,164,508	¥13,096,676	¥14,229,907	¥15,627,870	**¥16,879,339**	+8.0
Operating Income	¥ 790,729	¥1,093,632	¥1,271,646	¥1,666,890	**¥1,672,187**	+0.3
% of Net Revenues	6.1%	7.7%	8.2%	9.6%	**9.0%**	—
Income before Income Taxes, Minority Interest and Equity in Earnings of Affiliated Companies	1,107,289	972,101	1,226,652	1,765,793	**1,754,637**	–0.6
Provision for Income Taxes	523,876	422,789	517,014	681,304	**657,910**	–3.4
Net Income	674,898	556,567	750,942	1,162,098	**1,171,260**	+0.8
ROE	9.6%	7.8%	10.4%	15.2%	**13.6%**	—
Per Share Data (yen):						
Net Income (Basic)	¥ 180.65	¥ 152.26	¥ 211.32	¥ 342.90	**¥ 355.35**	+3.6
Cash Dividends	25.00	28.00	36.00	45.00	**65.00**	+44.4
Shareholders' Equity	1,921.29	2,015.82	2,063.43	2,456.08	**2,767.67**	+12.7
Net Cash Provided by Operating Activities	¥ 1,428,018	¥ 1,532,079	¥ 1,940,088	¥ 2,186,734	**¥ 2,370,940**	+8.4
Net Cash Used in Investing Activities	(1,318,738)	(1,810,230)	(2,001,448)	(2,216,495)	**(3,061,196)**	+38.1
Net Cash Provided by (Used in) Financing Activities	(166,713)	392,148	37,675	242,223	**419,384**	+73.1
R&D Expenses	475,716	589,306	668,404	682,279	**755,147**	+10.7
Capital Expenditures for Property, Plant and Equipment*	762,274	940,547	1,005,931	945,803	**1,068,287**	+13.0
Depreciation	784,784	809,841	870,636	969,904	**997,713**	+2.9
At Year-End:						
Shareholders' Equity	¥ 7,077,411	¥ 7,264,112	¥ 7,121,000	¥ 8,178,567	**¥ 9,044,950**	+10.6
Total Assets	17,019,783	19,305,730	20,152,974	22,040,228	**24,335,011**	+10.4
Long-Term Debt	3,083,344	3,722,706	4,137,528	4,247,266	**5,014,925**	+18.1
Cash and Cash Equivalents	1,510,892	1,657,160	1,592,028	1,729,776	**1,483,753**	–14.2
Equity Ratio	41.6%	37.6%	35.3%	37.1%	**37.2%**	—
Share Information (March 31):						
Price per Share (yen)	¥4,350	¥3,650	¥2,635	¥3,880	**¥3,990**	+2.8
Market Capitalization	¥16,029,739	¥13,332,491	¥9,512,343	¥14,006,790	**¥14,403,890**	+2.8
Number of Shares Issued	3,684,997,492	3,649,997,492	3,609,997,492	3,609,997,492	**3,609,997,492**	—
Other Data:						
Exchange Rate (yen/dollar)	¥123.90	¥133.25	¥120.20	¥105.69	**¥107.39**	

* Excluding vehicles and equipment on operating leases

CONSOLIDATED QUARTERLY FINANCIAL SUMMARY

Toyota Motor Corporation
Fiscal years ended March 31

	Yen in billions							
	First Quarter		Second Quarter		Third Quarter		Forth Quarter	
	2004	**2005**	2004	**2005**	2004	**2005**	2004	**2005**
Net Revenues	¥4,092.9	**¥4,510.3**	¥4,131.3	**¥4,515.3**	¥4,386.0	**¥4,644.0**	¥4,684.5	**¥4,881.9**
Operating Income	340.7	**448.6**	427.0	**417.6**	401.6	**422.9**	497.5	**383.0**
Income before Income Taxes, Minority Interest and Equity in Earnings of Affiliated Companies	371.2	**470.4**	440.8	**442.8**	429.7	**447.1**	524.0	**394.3**
Net Income	222.5	**286.6**	301.9	**297.4**	286.4	**296.5**	351.2	**290.7**
Segment Information by Business Operations:								
Revenues:								
Automotive	¥3,798.5	**¥4,199.8**	¥3,791.9	**¥4,139.8**	¥4,055.3	**¥4,278.4**	¥4,328.1	**¥4,495.5**
Financial Services	184.0	**180.9**	187.5	**203.5**	180.6	**196.1**	184.8	**200.7**
All Other	183.7	**205.7**	220.0	**261.1**	214.7	**243.3**	277.8	**320.2**
Intersegment Elimination	(73.3)	**(76.1)**	(68.1)	**(89.1)**	(64.6)	**(73.8)**	(106.2)	**(134.5)**
Total Company	¥4,092.9	**¥4,510.3**	¥4,131.3	**¥4,515.3**	¥4,386.0	**¥4,644.0**	¥4,684.5	**¥4,881.9**
Operating Income (Loss):								
Automotive	¥333.9	**¥403.8**	¥368.7	**¥353.0**	¥347.8	**¥355.5**	¥468.6	**¥340.2**
Financial Services	10.6	**46.2**	51.1	**56.5**	52.3	**58.7**	32.0	**39.4**
All Other	(2.8)	**1.5**	8.8	**11.2**	5.5	**11.0**	3.7	**10.0**
Intersegment Elimination	(1.0)	**(2.9)**	(1.6)	**(3.1)**	(4.0)	**(2.3)**	(6.8)	**(6.6)**
Total Company	¥340.7	**¥448.6**	¥427.0	**¥417.6**	¥401.6	**¥422.9**	¥497.5	**¥383.0**
Segment Information by Region:								
Revenues:								
Japan	¥ 2,714.2	**¥ 2,857.6**	¥ 2,783.1	**¥ 2,923.0**	¥ 2,933.6	**¥ 3,018.3**	¥ 3,159.1	**¥ 3,205.2**
North America	1,530.8	**1,626.1**	1,483.3	**1,563.6**	1,603.7	**1,595.7**	1,509.8	**1,588.0**
Europe	529.9	**591.0**	502.4	**610.3**	514.3	**631.8**	617.7	**646.3**
Other Regions	548.7	**670.4**	554.1	**661.9**	592.5	**695.9**	666.6	**780.9**
Intersegment Elimination	(1,230.7)	**(1,234.8)**	(1,191.6)	**(1,243.5)**	(1,258.1)	**(1,297.7)**	(1,268.7)	**(1,338.5)**
Total Company	¥ 4,092.9	**¥ 4,510.3**	¥ 4,131.3	**¥ 4,515.3**	¥ 4,386.0	**¥ 4,644.0**	¥ 4,684.5	**¥ 4,881.9**
Operating Income:								
Japan	¥252.1	**¥253.0**	¥277.6	**¥237.6**	¥226.1	**¥237.3**	¥352.3	**¥259.3**
North America	64.6	**129.8**	99.0	**114.9**	128.2	**127.8**	99.2	**75.0**
Europe	6.1	**30.9**	16.4	**35.4**	24.7	**26.5**	25.3	**15.7**
Other Regions	20.5	**37.7**	32.8	**33.2**	24.3	**33.5**	19.3	**36.8**
Intersegment Elimination	(2.6)	**(2.8)**	1.2	**(3.5)**	(1.7)	**(2.2)**	1.4	**(3.8)**
Total Company	¥340.7	**¥448.6**	¥427.0	**¥417.6**	¥401.6	**¥422.9**	¥497.5	**¥383.0**

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

All financial information discussed in this section is derived from Toyota's consolidated financial statements that appear elsewhere in this annual report on Form 20-F. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America.

OVERVIEW

The business segments of Toyota Motor Corporation ("the parent company") and its subsidiaries (collectively, "Toyota") include automotive operations, financial services operations and all other operations. Automotive operations is Toyota's most significant business segment, accounting for 90% of Toyota's total revenues before the elimination of intersegment revenues and 86% of Toyota's total operating income before the elimination of intersegment revenues and costs for the year ended March 31, 2005. The operating income from automotive operations as a percentage of total operating income decreased by 4% due to an increase in operating income from the financial services operations. Toyota's primary markets based on vehicle unit sales for the year ended March 31, 2005 were: Japan (32%), North America (31%) and Europe (13%).

Automotive Market Environment

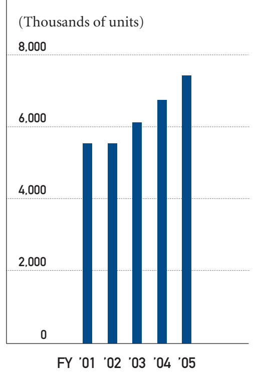
The worldwide automotive market is highly competitive and volatile. The demand for automobiles is affected by a number of factors including social, political and general economic conditions; introduction of new vehicles and technologies; and costs incurred by customers to purchase and operate vehicles. These factors can cause consumer demand to vary substantially from year to year in different geographic markets and for different types of automobiles.

The following table sets forth Toyota's consolidated vehicle unit sales by geographical market for the past three fiscal years.

	Thousands of units		
	Year Ended March 31,		
	2003	2004	**2005**
Japan	2,217	2,303	**2,381**
North America	1,982	2,103	**2,271**
Europe	776	898	**979**
All Other Markets	1,138	1,415	**1,777**
Overseas Total	3,896	4,416	**5,027**
Total	6,113	6,719	**7,408**

Toyota's consolidated unit sales in Japan increased during both fiscal 2004 and 2005 as compared to the prior year as the result of the active introduction of new products that met customer needs and the strong sales efforts of domestic dealers despite a decline in the overall domestic market in each of those years. In addition, overseas vehicle unit sales increased in North America, Europe and all other markets due to extensive product offerings that catered to regional needs during fiscal 2004 and 2005.

Consolidated Vehicle Sales



Toyota's share of total vehicle unit sales in each market is influenced by the quality, price, design, performance, safety, reliability, economy and utility of Toyota's vehicles compared with those offered by other manufacturers. The timely introduction of new or redesigned vehicles is also an important factor in satisfying customer demand. Toyota's ability to satisfy changing customer preferences can affect its revenues and earnings significantly.

The profitability of Toyota's automotive operations is affected by many factors. These factors include:

- vehicle unit sales volumes,
- the mix of vehicle models and options sold,
- the level of parts and service sales,
- the levels of price discounts and other sales incentives and marketing costs,
- the cost of customer warranty claims and other customer satisfaction actions,
- the cost of research and development and other fixed costs,
- the ability to control costs,
- the efficient use of production capacity, and
- changes in the value of the Japanese yen and other currencies in which Toyota does business.

Changes in laws, regulations, policies and other governmental actions can also materially impact the profitability of Toyota's automotive operations. These laws, regulations and policies include those attributed to environmental matters and vehicle safety, fuel economy and emissions that can add significantly to the cost of vehicles. The European Union has approved a directive that requires manufacturers to be financially responsible for taking back end-of-life vehicles and to take measures to ensure that adequate used vehicle disposal facilities are established and that hazardous materials and recyclable parts are removed from vehicles prior to scrapping. Please see "— Legislation Regarding End-of-Life Vehicles" and "Information on the Company—Business Overview—Governmental Regulation, Environmental and Safety Standards" in Toyota's annual report on Form 20-F and note 23 to the consolidated financial statements for a more detailed discussion of these laws, regulations and policies.

Many governments also regulate local content, impose tariffs and other trade barriers, and enact price or exchange controls which can limit an automaker's operations and can make the repatriation of profits unpredictable. Changes in these laws, regulations, policies and other governmental actions may affect the production, licensing, distribution or sale of Toyota's products, cost of products or applicable tax rates. Toyota is currently one of the defendants in purported national class actions alleging violations of the U.S. Sherman Antitrust Act. For a more detailed description of these proceeding, see note 23 to the consolidated financial statements.

The worldwide automotive industry is in a period of globalization and consolidation, which may continue for the foreseeable future. As a result, the competitive environment in which Toyota operates is likely to intensify. Toyota believes it has the resources, strategies and technologies in place to compete effectively in the industry as an independent company for the foreseeable future.

In November 2002, Toyota acquired an additional ownership interest in Toyota South Africa Motor Company ("Toyota South Africa"). As a result, Toyota's ownership interest in Toyota South Africa increased by 39.3% to 75.0% and Toyota's consolidated financial statements include the accounts of Toyota South Africa from the end of fiscal 2003. Prior to the acquisition of the additional ownership interest, Toyota South Africa was accounted for using the equity method. Toyota South Africa is primarily engaged in the manufacturing and sale of Toyota vehicles and related parts. Fiscal 2004 is the first full year that Toyota's consolidated financial statements include the operating results of Toyota South Africa. In May 2003, Toyota acquired additional ownership interests in Toyota Auto Body Co., Ltd. ("Toyota Auto Body") and Kanto Auto Works, Ltd ("Kanto Auto Works"). As a result, Toyota's ownership interests in Toyota Auto Body and Kanto Auto Works increased by 2.94% and 1.14% to 50.21% and 50.57%, respectively, and Toyota's consolidated financial statements include the accounts of Toyota Auto Body and Kanto Auto Works from fiscal 2004. Prior to the acquisition of the additional ownership interests, Toyota Auto Body and Kanto Auto Works were accounted for using the equity method. Toyota Auto Body and Kanto Auto Works are primarily engaged in the manufacturing and sale of Toyota vehicles and related parts. In September 2003, Toyota acquired an additional ownership interest in P.T. Toyota Motor Manufacturing Indonesia ("TMMIN"). As a result, Toyota's ownership interests in TMMIN increased by 46.00% to 95.00% and Toyota's consolidated financial statements include the accounts of TMMIN from the end of fiscal 2004. Prior to the acquisition of the additional ownership interest, TMMIN was accounted for using the equity method. TMMIN is primarily engaged in the manufacturing and sale of Toyota vehicles and related parts. Fiscal 2005 is the first full year that Toyota's consolidated financial statements include the operating results of TMMIN. In October 2004, Araco Corporation ("Araco") spun off its automotive manufacturing business that was merged into Toyota Auto Body, while the remaining operations of Araco were merged with Takanichi Co., Ltd. ("Takanichi") and Toyoda Boshoku Corporation to become Toyota Boshoku Corporation ("Toyota Boshoku"). As a result, Toyota's ownership interests in Toyota Boshoku increased to 49.63% and Toyota Boshoku is accounted for using the equity method from the latter half of fiscal 2005. Prior to the merger, Araco and Takanichi were consolidated subsidiaries of Toyota and included their financial results in Toyota's consolidated financial statements. Toyota Boshoku is primarily engaged in the development, manufacturing and sales of all automotive interior system and filter parts.

Financial Services Operations

The worldwide automobile financial services industry is highly competitive. The market for automobile financing has grown as more consumers are financing their purchases, primarily in North America and Europe. As competition increases, margins on financing transactions may decrease and market share may also decline as customers obtain financing for Toyota vehicles from alternative sources.

Toyota's financial services operations mainly include loans and leasing programs for customers and dealers. Toyota believes that its ability to provide financing to its customers is an important value added service, therefore Toyota intends to continue to expand its network of finance subsidiaries in order to offer financial services in more countries.

Toyota's competitors for retail financing and retail leasing include commercial banks, credit unions, and other finance companies. Meanwhile, commercial banks and other captive automobile finance companies also provide competition for Toyota's wholesale financing activities.

Toyota's financial assets increased during fiscal 2005 resulting primarily from the continued expansion of its financial services operations in North America.

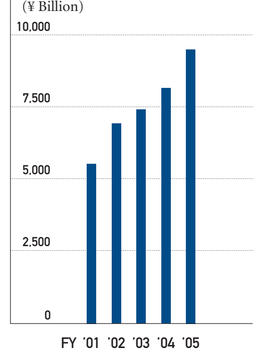
The following table provides information regarding Toyota's finance receivables and operating leases as of March 31, 2004 and 2005.

	Yen in millions	
	March 31,	
	2004	**2005**
Finance Receivables		
Retail	¥ 3,643,998	**¥ 4,780,250**
Finance leases	912,622	**758,632**
Wholesale and other dealer loans	1,680,907	**1,773,440**
	6,237,527	**7,312,322**
Unearned income	(298,153)	**(233,417)**
Allowance for credit losses	(87,462)	**(91,829)**
Finance receivables, net	5,851,912	**6,987,076**
Less – Current portion	(2,622,939)	**(3,010,135)**
Noncurrent finance receivables, net	¥ 3,228,973	**¥ 3,976,941**
Operating Leases		
Vehicles	¥ 1,387,404	**¥ 1,736,238**
Equipment	106,376	**92,459**
	1,493,780	**1,828,697**
Less – Accumulated depreciation	(375,861)	**(424,609)**
Vehicles and equipment on operating leases, net	¥ 1,117,919	**¥ 1,404,088**

Toyota has continued to originate leases to finance new Toyota vehicles. These leasing activities are subject to residual value risk. Residual value risk arises when the lessee of a vehicle does not exercise the option to purchase the vehicle at the end of the lease. The number of vehicles returned at the end of leases has decreased in recent years. Approximately 50% of vehicles leased by Toyota Motor Credit Corporation, Toyota's financing subsidiary located in the United States, were returned at the end of the applicable lease periods during fiscal 2003 and 2004, compared to a decrease in the return rate to approximately 40% in fiscal 2005 due to a narrowing spread between contractual residual values and end of lease market values. To avoid a loss on a vehicle returned to Toyota at the end of its lease, Toyota must resell or re-lease the vehicle at or above the residual value of the vehicle. If Toyota is unable to recover the residual value of the vehicle, it will incur a loss at the end of the lease, which may offset a portion of the earnings on the lease. To the extent that sales incentives remain an integral part of sales promotions (reducing new vehicle prices and cost of ownership), resale prices of used vehicles and, correspondingly, the fair value of Toyota's leased vehicles could be subject to downward pressure. During fiscal 2004 and 2005, losses have decreased mainly due to a decrease in the number of vehicles returned. See discussion in the Critical Accounting Estimates section regarding "Investment in Operating Leases" and note 2 to consolidated financial statements regarding the allowance for residual values losses.

Toyota maintains an overall risk management strategy to mitigate its exposure to fluctuations in interest rates and currency exchange rates. Toyota enters into interest rate swap agreements and cross currency interest rate swap agreements to convert its fixed-rate debt to variable-rate functional currency debt. Toyota formally documents relationships between the derivative instrument and the hedged item, as well as its risk-management strategy for undertaking hedge transactions. If Toyota elects fair value hedge accounting, derivative instruments are designated with specific liabilities on Toyota's consolidated balance sheet, and the fair value quarterly change component of each derivative instrument and hedged item is included in the assessment of hedge effectiveness. Most interest rate swap agreements are executed as an integral part of specific debt transactions, achieving designated hedges. Toyota uses cross currency interest rate swap agreements to entirely hedge exposure to currency exchange rate fluctuations on principal and/or interest payments and to manage its exposure to interest rate fluctuations. Certain derivative instruments are entered into to hedge interest rate risk from an economic perspective and are not designated to specific assets or liabilities on Toyota's consolidated balance sheet. Accordingly, unrealized gains or losses related to derivatives that are not designated

Total Assets by Financial Services Operations
(¥ Billion)



to specific assets and liabilities on Toyota's consolidated balance sheet are recognized currently. As a result, earnings are impacted by these non-designated derivatives. The impact of recognizing these realized and unrealized gains and losses attributed to non-designated derivatives resulted in a loss, gain and gain to net income for fiscal 2003, 2004 and 2005, respectively. Toyota does not use any derivative instruments for trading purposes. See discussion in the Critical Accounting Estimates section regarding "Derivatives and Other Contracts at Fair Value", and further discussion in the Market Risk Disclosures section.

In addition, aggregated funding costs can affect the profitability of Toyota's financial services operations. Funding costs are affected by a number of factors, some of which are not in Toyota's control. These factors include general economic conditions, prevailing interest rates and Toyota's financial strength. Funding costs decreased during fiscal 2004 as a result of lower interest rates primarily in the United States and increased during fiscal 2005 as a result of higher interest rates and an increase in borrowings, primarily in the United States.

Toyota launched its credit card business in Japan at the beginning of fiscal 2002. As of March 31, 2004, Toyota had 4.2 million cardholders, an increase of 0.6 million cardholders compared with March 31, 2003, and as of March 31, 2005, Toyota had 4.7 million cardholders, an increase of 0.5 million cardholders compared with March 31, 2004. Corresponding to the increase in cardholders, the credit card receivables at March 31, 2004 increased by ¥21.8 billion from March 31, 2003 to ¥117.2 billion. The credit card receivables at March 31, 2005 increased by ¥27.0 billion from March 31, 2004 to ¥144.2 billion.

Other Business Operations

Toyota's other business operations consist of housing including the manufacture and sale of prefabricated homes; information technology related businesses including information technology and telecommunications, intelligent transport systems, GAZOO; marine, biotechnology and afforestation.

Toyota does not expect its other business operations to materially contribute to Toyota's consolidated results of operations.

Currency Fluctuations

Toyota is sensitive to fluctuations in foreign currency exchange rates. In addition to the Japanese yen, Toyota is principally exposed to fluctuations in the value of the U.S. dollar and the euro, and to a lesser extent the British pound and the Australian dollar. Toyota's consolidated financial statements, which are presented in Japanese yen, are affected by foreign currency exchange fluctuations through both translation risk and transaction risk. Changes in foreign currency exchange rates may positively or negatively affect Toyota's revenues, operating costs and expenses, gross margins, operating income, net income and retained earnings.

Translation risk is the risk that Toyota's consolidated financial statements for a particular period or for a particular date will be affected by changes in the prevailing exchange rates of the currencies in those countries in which Toyota does business compared with the Japanese yen. Even though the fluctuations of currency exchange rates to the Japanese yen can be substantial, and, therefore, significantly impact comparisons with prior periods and amongst the various geographic markets, the translation effect is a reporting consideration and does not reflect Toyota's underlying results of operations. Toyota does not hedge against translation risk.

Transaction risk is the risk that the currency structure of Toyota's costs and liabilities will deviate from the currency structure of sales proceeds and assets. Transaction risk relates primarily to sales proceeds from Toyota's non-domestic operations from vehicles produced in Japan.

Toyota believes that the location of its production facilities in different parts of the world has significantly reduced the level of transaction risk. As part of its globalization strategy, Toyota has continued to localize production by constructing production facilities in the major markets in which it sells its vehicles. In calendar 2003 and 2004, Toyota produced 60.9% and 62.9% of Toyota's non-domestic sales outside Japan, respectively. In North America, 61.7% and 63.7% of vehicles sold in calendar 2003 and 2004 were produced locally, respectively. In Europe, 52.6% and 56.7% of vehicles sold in calendar 2003 and 2004 were produced locally, respectively. Localizing production enables Toyota to purchase many of the supplies and resources used in the production process, which allows for a better match of local currency revenues with local currency expenses.

Toyota also enters into foreign currency transactions and other hedging instruments to address a portion of its transaction risk. This has reduced, but not eliminated, the effects of foreign currency exchange rate fluctuations, which in some years can be significant. See notes 20 and 21 to the consolidated financial statements for additional information regarding the extent of Toyota's use of derivative financial instruments to hedge foreign currency exchange rate risks.

Generally, a weakening of the Japanese yen against other currencies has a positive effect on Toyota's revenues, operating income and net income. A strengthening of the

Japanese yen against other currencies has the opposite effect. The Japanese yen has on average been stronger against the U.S. dollar during fiscal 2004 and 2005. At the end of fiscal 2004 and 2005, the Japanese yen was stronger and weaker, respectively, against the U.S. dollar in comparison to the end of the prior fiscal year. As compared to the euro, the Japanese yen has on average been weaker during fiscal 2004 and 2005. At the end of fiscal 2004 and 2005, the Japanese yen was stronger and weaker, respectively, against the euro compared to the end of the prior fiscal year. See further discussion in the Market Risk Disclosures section regarding "Foreign Currency Exchange Rate Risk".

During fiscal 2004 and 2005, the average value of the yen fluctuated against the major currencies including the U.S. dollar and euro compared with the average value of the previous fiscal year, respectively, as noted above. The operating results excluding the impact of currency fluctuations described in the "Results of Operations—Fiscal 2005 Compared with Fiscal 2004" and the "Results of Operations—Fiscal 2004 Compared with Fiscal 2003" show results of net revenues obtained by applying the yen's average exchange rate in the previous fiscal year to the local currency-denominated net revenues for fiscal 2004 and 2005, respectively, as if the value of the yen had remained constant for the comparable periods. Results excluding the impact of currency fluctuations year-on-year are not on the same basis as Toyota's consolidated financial statements and do not conform with U.S.GAAP. Furthermore, Toyota does not believe that these measures are a substitute for U.S.GAAP measures. However, Toyota believes that such results excluding the impact of currency fluctuations year-on-year provide additional useful information to investors regarding the operating performance on a local currency basis.

Segmentation

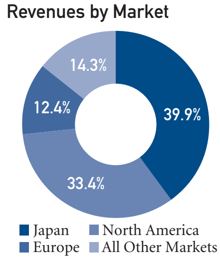
Toyota's most significant business segment is its automotive operations. Toyota carries out its automotive operations as a global competitor in the worldwide automotive market. Toyota's management allocates resources to, and assesses the performance of, its automotive operations as a single business segment on a worldwide basis. Toyota does not manage any subset of its automotive operations, such as domestic or overseas operations or parts, as separate management units.

The management of the automotive operations is aligned on a functional basis with managers having oversight responsibility for the major operating functions within the segment. Management assesses financial and non-financial data such as units of sale, units of production, market share information, vehicle model plans and plant location costs to allocate resources within the automotive operations.

GEOGRAPHICAL BREAKDOWN

The following table sets forth Toyota's net revenues from external customers in each geographical market for the past three fiscal years.

Revenues by Market



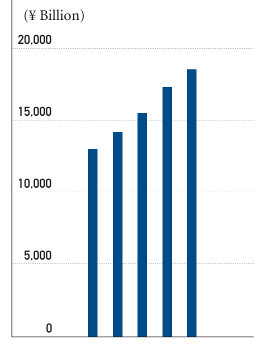
	Yen in millions		
	For the years ended March 31,		
	2003	2004	**2005**
Japan	¥6,621,054	¥7,167,704	**¥7,408,136**
North America	5,929,803	5,910,422	**6,187,624**
Europe	1,514,683	2,018,969	**2,305,450**
All Other Markets	1,436,013	2,197,665	**2,650,316**

RESULTS OF OPERATIONS — FISCAL 2005 COMPARED WITH FISCAL 2004

Net Revenues

Toyota had net revenues for fiscal 2005 of ¥18,551.5 billion, an increase of ¥1,256.8 billion, or 7.3%, compared with the prior year. This increase principally reflects the impact of increased vehicle unit sales, increased parts and service sales and increased financings. These increases were partially offset by the impact of fluctuations in foreign currency translation rates particularly against the U.S. dollar. Eliminating the difference in the yen value used for translation purposes, net revenues would have been approximately ¥18,846.1 billion during fiscal 2005, a 9.0% increase compared with the prior year. Toyota's net revenues include net revenues from sales of products which increased during fiscal 2005 by 7.3% from the prior year to ¥17,790.8 billion and net revenues from financing operations which increased 6.1% in fiscal 2005 compared with the prior year to ¥760.7 billion. Eliminating the difference in the yen value used for translation purposes, net revenues from sales of products would have been approximately ¥18,062.8 billion, a 9.0% increase, while net revenues from financing operations would have increased approximately 9.3% during fiscal 2005 compared to the prior year to ¥783.3 billion. Geographically, net revenues for fiscal 2005 increased by 3.4% in Japan, 4.7% in North America, 14.2% in Europe and 20.6% in all other markets compared with the prior year. Eliminating the difference in the yen value

Net Revenues



used for translation purposes, net revenues in fiscal 2005 would have increased by 3.4% in Japan, 10.0% in North America, 12.2% in Europe and 21.5% in all other markets compared with the prior year.

The following is a discussion of net revenues for each of Toyota's business segments. The net revenue amounts discussed are amounts before the elimination of intersegment revenues.

Automotive Operations Segment

Net revenues from Toyota's automotive operations, which constitute the largest percentage of Toyota's net revenues, increased in fiscal 2005 by ¥1,139.7 billion, or 7.1% compared with the prior year to ¥17,113.5 billion. The increase resulted primarily from the approximate ¥1,300.0 billion impact attributed to combined net impact of vehicle unit sales growth and changes in sales mix and the impact of increased parts and service sales. These overall increases were partially offset by unfavorable currency fluctuations totaling ¥270.0 billion. Eliminating the difference in the yen value used for translation purposes, automotive operations net revenues would have been approximately ¥17,383.5 billion in fiscal 2005, an 8.8% increase compared to the prior year. In fiscal 2005, net revenues in Japan were favorably impacted primarily attributed to vehicle unit sales growth in both the domestic and export markets, which was partially offset by changes in sales mix compared to fiscal 2004. Net revenues in North America were favorably impacted by vehicle unit sales growth, but were partially offset by the impact of foreign currency fluctuations during fiscal 2005. Net revenues in Europe were favorably impacted primarily by vehicle unit sales growth and foreign currency translation rates fluctuations during fiscal 2005. Net revenues in all other markets were favorably impacted, primarily attributed to vehicle unit sales growth due to IMV (Innovative International Multi-Purpose Vehicle), which was launched in fiscal 2004.

Financial Services Operations Segment

Net revenues in fiscal 2005 for Toyota's financial services operations increased by ¥44.3 billion or 6.0% compared to the prior year to ¥781.2 billion. This increase resulted primarily from the impact of a higher volume of financings and the impact of adjustments made by a sales financing subsidiary in the United States for the correction of errors relating to prior periods (see note 24 to the consolidated financial statements), but was partially offset by the impact of unfavorable foreign currency fluctuations during fiscal 2005. Eliminating the difference in the yen value used for translation purposes, financial services operations net revenues would have been approximately ¥803.7 billion during fiscal 2005, a 9.1% increase compared with the prior year.

All Other Operations Segment

Net revenues for Toyota's other businesses increased by ¥134.1 billion, or 15.0%, to ¥1,030.3 billion during fiscal 2005 compared with the prior year. This increase primarily relates to increased production volume and sales attributed to the housing business.

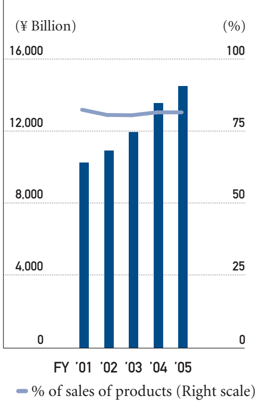
Operating Costs and Expenses

Operating costs and expenses increased by ¥1,251.5 billion, or 8.0%, to ¥16,879.3 billion during fiscal 2005 compared with the prior year. The increase resulted primarily from the approximate ¥1,100.0 billion impact on costs of products attributed to combined net impact of vehicle unit sales growth and changes in sales mix, a ¥72.9 billion increase in research and development expenses, a ¥59.8 billion decrease in net gain on the transfer to the government of the substitutional portion of certain employee pension funds in Japan, increased expenses in expanding business operations and increased costs related to the corresponding increase in parts and service sales. These increases were partially offset by approximately ¥160.0 billion of cost reduction efforts in fiscal 2005.

In 2001, the Corporate Defined Benefit Pension Plan Law was enacted and allowed a company to transfer the substitutional portion of the obligation to the government. The parent company and certain subsidiaries in Japan applied for an exemption from the payment of benefits related to future employee services with respect to the substitutional portion of their employee pension funds and obtained approval from the Minister of Health, Labor, and Welfare. These companies also applied for approval for the separation of the benefit obligations of the substitutional portion which relates to past employee services. After approval was obtained, the parent company and certain subsidiaries in Japan completed the transfers of the government-specified portion of plan assets relating to the substitutional portion in fiscal 2004. Several additional subsidiaries in Japan also completed the transfers of the government-specified portion of plan assets in fiscal 2005. The gains and losses relating to these transfers were treated in accordance with the Emerging Issues Task Force ("EITF") No. 03-02, *Accounting for the transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities.*

In connection with these transfers, for fiscal 2004 and 2005, settlement losses relating to the transfer of the substitutional portion was ¥213.9 billion and ¥74.3 billion, respectively and is reflected in cost of products sold (¥190.1 billion and ¥65.9 billion, respectively) and selling,

Cost of Products Sold



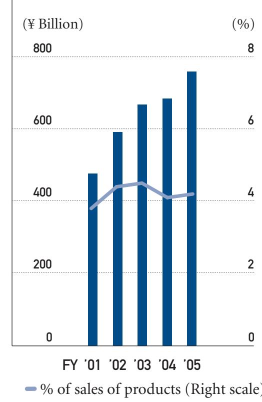
general and administrative expenses (¥23.8 billion and ¥8.4 billion, respectively). In addition, the government subsidy representing the difference between the benefit obligations of the substitutional portion and the government-specified portion of plan assets of ¥320.9 billion for fiscal 2004 and ¥121.5 billion for fiscal 2005, respectively, which were both transferred to the government, reduced selling, general and administrative expenses. The net impact of these items was a reduction of operating expenses by ¥47.2 billion during fiscal 2005, which increased by ¥59.8 billion compared to a reduction of operating expenses by ¥107.0 billion during fiscal 2004. See note 19 to the consolidated financial statements.

Continued cost reduction efforts reduced costs and expenses in fiscal 2005 by approximately ¥160.0 billion over what would have otherwise been incurred. These cost reduction efforts relate to ongoing value engineering and value analysis activities, the use of common parts that result in a reduction of part types and other manufacturing initiatives designed to reduce the costs of vehicle production.

Cost of products sold increased by ¥993.9 billion, or 7.4%, to ¥14,500.2 billion during fiscal 2005 compared with the prior year. This increase (before the elimination of intersegment amounts) reflects an increase of ¥881.6 billion, or 6.8%, for the automotive operations and an increase of ¥112.5 billion, or 14.8%, for the all other operations segment. The increase in cost of products sold for the automotive operations is primarily attributed to the net impact of increased vehicle unit sales and changes in sales mix, the impact of increased parts and service sales, and the impact of the increase in research and development expenses, which were partially offset by the impact of continued cost reduction efforts, the impact of decrease in the settlement losses relating to the transfer to the government of the substitutional portion and the impact of foreign currency fluctuations during fiscal 2005. The increase in cost of products sold for all other operations primarily related to the increase in net revenues.

Cost of financing operations increased by ¥5.7 billion, or 1.6%, to ¥369.8 billion during fiscal 2005 compared with the prior year. The increase resulted primarily from the impact of increased interest expenses caused primarily by higher interest rates and an increase in borrowings attributed to business expansion in the United States, that was partially offset by the impact of an increase in net gains on derivative financial instruments that are not designated as hedges and are marked-to-market at the end of each period.

R&D Expenses



Selling, general and administrative expenses increased by ¥251.9 billion, or 14.3%, to ¥2,009.2 billion during fiscal 2005 compared with the prior year. This increase (before the elimination of intersegment amounts) reflects an increase of ¥324.5 billion, or 21.8%, for the automotive operations, a decrease of ¥20.9 billion, or 9.3%, for the financial services operations and an increase of ¥3.0 billion, or 2.5%, for all other operations segment. The increase for the automotive operations consisted primarily of the impact from the reduction of gains attributed to the transfer of the substitutional portion of certain employee pension funds to the government and the impact of increased expenses in expanding business operations, which were partially offset by the impact of unfavorable currency fluctuations. The decrease for the financial services operations reflects lower provisions for credit losses specifically in North America due to an improvement in the delinquent loan collection rate and the favorable impact of fluctuations in foreign currency translation rates.

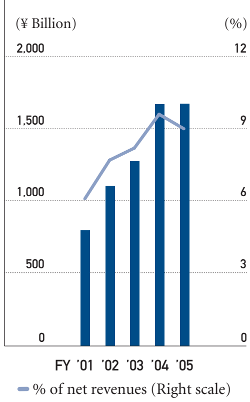
Research and development expenses (included in cost of products sales and selling, general and administrative expenses) increased by ¥72.9 billion, or 10.7%, to ¥755.1 billion during fiscal 2005 compared with the prior year. This increase primarily relates to expenditures attributed to the development of environmentally conscious technologies including hybrid and fuel cell battery technology, aggressive developments in advanced technologies relating to collision safety and vehicle stability controls and the impact of expanding new models to promote Toyota's strength in a competitive global market to further build up competitive strength in future.

Operating Income

Toyota's operating income increased by ¥5.3 billion, or 0.3%, to ¥1,672.1 billion during fiscal 2005 compared with the prior year. Operating income was favorably affected by the combined net impact of vehicle unit sales growth and changes in sales mix, the impact of increased parts and service sales, continued cost reduction efforts, growth in the financial services operations and improvements in all other operations. These increases were partially offset by a reduction in the net gains on the transfer to the government of the substitutional portion of certain employee pension funds, increases in research and development expenses, the impact of business expansion and the unfavorable impact due to currency fluctuations. As a result, operating income decreased to 9.0% for fiscal 2005 compared to 9.6% in the prior year.

During fiscal 2005, operating income (before the elimination of intersegment profits) by significant geographies resulted in a decreased of ¥120.9 billion, or 10.9%, in Japan, and increases of ¥56.5 billion, or 14.5%, in North America, ¥36.0 billion, or 49.8% in Europe and ¥44.3 billion, or 45.7% in all other markets compared with the prior year. The decrease in Japan relates primarily to the impact of a decrease in the net gains on the transfer to the government of the substitutional portion of certain employee funds, increases in research and development expenses and unfavorable currency fluctuations. The decrease was partially offset by the combined net impact of vehicle unit sales growth in both of the domestic and export markets and changes in sales mix and continued cost reduction efforts. The increase in North America relates primarily to the increase in production volume and vehicle unit sales, the impact of cost reduction efforts in the manufacturing operations, increases in the asset base of the financial services operations, and lower provisions for credit losses and the allowance for residual value losses which were partially offset by an increase in expenses attributed to business expansion in North America and the impact of currency fluctuations. The increase in the European market operating income relates mainly to the impact of cost reduction efforts in the manufacturing operations, an increase in production volume and vehicle unit sales and the favorable impact of currency fluctuations, which were partially offset by increases in expenses attributed to expansion of operations. The increase in all other markets relates primarily to the impact of the increase in production volume and vehicle unit sales mainly attributed to the IMV project.

Operating Income



The following is a discussion of operating income for each of Toyota's business segments. The operating income amounts discussed are before the elimination of intersegment profits.

Automotive Operations Segment

Operating income from Toyota's automotive operations decreased by ¥66.5 billion, or 4.4%, to ¥1,452.5 billion during fiscal 2005 compared with the prior year. Operating income was unfavorably affected by the impact of the reduction in net gains attributed to the transfer to the government of the substitutional portion of certain employee pension funds, the increase in research and development expenses, the increase in expenses corresponding to business expansion and currency fluctuations. These decreases were partially offset by the increase in vehicle unit sales, the increase in parts and service sales, and the impact of continued cost reduction efforts.

Financial Services Operations Segment

Operating income from Toyota's financial services operations increased by ¥54.8 billion, or 37.6%, to ¥200.8 billion during fiscal 2005 compared with the prior year. This increase was primarily due to an increase in the finance receivables asset base, the impact of adjustments made by a sales financing subsidiary for the correction of errors relating to prior periods (see note 24 to the consolidated financial statements), the impact of lower provisions for credit losses and the allowance for residual value losses in the United States. These increases were partially offset by the impact of fluctuations in foreign currency translation rates.

All Other Operations Segment

Operating income from Toyota's other businesses increased by ¥18.5 billion, or 121.3% to ¥33.7 billion during fiscal 2005. This increase primarily relates to increased production volume and sales attributed to the housing business.

Other Income and Expenses

Interest and dividend income increased by ¥11.9 billion, or 21.4%, to ¥67.5 billion during fiscal 2005 compared with the prior year due to an increase in investment securities in the United States subsidiary.

Interest expense decreased by ¥1.8 billion, or 8.5%, to ¥18.9 billion during fiscal 2005 compared with the prior year due to a decrease in borrowings in the automotive operations segment.

Foreign exchange gains, net decreased by ¥16.7 billion, or 43.9%, to ¥21.4 billion during fiscal 2005 compared with the prior year. Foreign exchange gains and losses include the differences between the value of foreign currency denominated sales translated at prevailing exchange rates and the value of the sales amounts settled during the year, including those settled using forward foreign currency exchange contracts.

Other income, net decreased by ¥13.3 billion, or 51.7%, to ¥12.4 billion during fiscal 2005 due to an increase in donations paid to educational institutions.

Income Taxes

The provision for income taxes decreased ¥23.4 billion in fiscal 2005 compared with the prior year primarily due to the decrease in income before income taxes. In addition, the provision decreased as a result of the reduction in the effective tax rate for fiscal 2005, which decreased to 37.5% from 38.6% for the prior year mainly attributed to the reduction in the statutory tax rate in Japan.

Minority Interest in Consolidated Subsidiaries and Equity in Earnings of Affiliated Companies

Minority interest in consolidated subsidiaries increased by ¥22.3 billion to ¥64.9 billion during fiscal 2005 compared with the prior year. This increase was mainly due to favorable operating results at consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2005 increased by ¥19.2 billion to ¥139.4 billion compared with the prior year due to an increase in net income attributable to favorable operations at the affiliated companies, which were partially offset by the decrease in the net gain on the transfer to the government of the substitutional portion of an employee pension fund of affiliated companies in Japan.

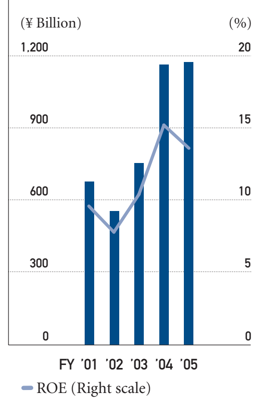
Net Income

Toyota's net income increased by ¥9.2 billion, or 0.8%, to ¥1,171.2 billion during fiscal 2005 compared with the prior year.

Other Comprehensive Income and Loss

Other comprehensive income decreased by ¥275.8 billion to ¥123.9 billion for fiscal 2005 compared with the prior year. This change resulted primarily from a decrease in unrealized holding gains on securities during fiscal 2005 of ¥38.4 billion compared with unrealized holding gains of ¥329.7 billion in the prior year reflected by the recovery of the Japanese stock exchange market and the lower gain adjustment in the minimum pension liability component during fiscal 2005 of ¥9.8 billion compared to a ¥273.3 billion gain adjustment in the prior year due to the transfer to the government of the substitutional portion of employee pension funds of primarily the parent company. These declines in the other comprehensive income were partially offset by the foreign currency translation adjustments, which resulted in a ¥75.7 billion of gains in fiscal 2005 compared with losses of ¥203.3 billion in the prior year.

Net Income and ROE



RESULTS OF OPERATIONS — FISCAL 2004 COMPARED WITH FISCAL 2003

Net Revenues

Toyota had net revenues for fiscal 2004 of ¥17,294.7 billion, an increase of ¥1,793.2 billion, or 11.6%, compared with the prior year. This increase principally reflects the impact of increased vehicle unit sales, the consolidation of the results of subsidiaries previously accounted for on the equity basis, increased parts and service sales and the impact of increased financings. These increases were partially offset by the impact of fluctuations in foreign currency translation rates particularly against the U.S. dollar. Eliminating the difference in the yen value used for translation purposes, net revenues would have been approximately ¥17,554.3 billion during fiscal 2004, a 13.2% increase compared with the prior year. Toyota's net revenues include net revenues from sales of products which increased during fiscal 2004 by 12.1% to ¥16,578.0 billion compared to the prior year and net revenues from financing operations which increased during fiscal 2004 by 1.3% to ¥716.7 billion compared with the prior year. Eliminating the difference in the yen value used for translation purposes, net revenues from sales of products would have been approximately ¥16,809.1 billion, a 13.6% increase, and net revenues from financing operations would have been approximately ¥745.2 billion, a 5.3% increase, during fiscal 2004 compared with the prior year. Net revenues for fiscal 2004 increased by 8.3% in Japan, 33.3% in Europe and 53.0% in all other markets and decreased by 0.3% in North America compared with the prior year. Eliminating the difference in the yen value used for translation purposes, net revenues would have increased by 8.3% in Japan, 7.1% in North America, 25.3% in Europe and 48.9% in all other markets compared with the prior year.

The following is a discussion of net revenues for each of Toyota's business segments. The net revenue amounts discussed are amounts before the elimination of intersegment revenues.

Automotive Operations Segment

Net revenues from Toyota's automotive operations constitute the largest percentage of Toyota's net revenues and increased by ¥1,662.3 billion, or 11.6%, to ¥15,973.8 billion during fiscal 2004 compared with the prior year. The increase resulted primarily from the approximately ¥1,300.0 billion impact attributed to increased vehicle unit sales, the ¥420.0 billion impact attributed to the consolidation of the results of subsidiaries previously accounted for on the equity basis, as discussed in note 5 to the consolidated financial statements, and increased parts and service sales. These increases were partially offset by the ¥230.0 billion impact of foreign currency translation rates fluctuations. Eliminating the difference in the yen value used for translation purposes, automotive operations revenues would have been approximately ¥16,205.2 billion during fiscal 2004, a 13.2% increase compared to the prior year. Net revenues in Japan were favorably impacted by vehicle unit sales growth in both of the domestic and export markets, that were offset by lower average unit sales prices resulting from the continuing market shift in Japan to lower priced vehicles during fiscal 2004. Net revenues in North America were favorably impacted by vehicle unit sales growth, but were partially offset by the negative impact of foreign currency fluctuations during fiscal 2004. Net revenues in Europe were favorably impacted by combined net impact of vehicle unit sales growth and changes in sales mix, and foreign currency translation rate fluctuations during fiscal 2004. Net revenues in all other markets were favorably impacted by vehicle unit sales growth, but were partially offset by the lower average unit sales price.

Financial Services Operations Segment

Net revenues for Toyota's financial services operations increased by ¥12.0 billion, or 1.6%, to ¥736.9 billion during fiscal 2004 compared with the prior year. This increase resulted primarily from the impact of a higher volume of financings and the impact of expansion of the credit card business in Japan that was partially offset by the impact of foreign currency translation rates fluctuations during fiscal 2004. Eliminating the difference in the yen value used for translation purposes, financial services operations net revenues would have been approximately ¥765.0 billion during fiscal 2004, a 5.5% increase compared with the prior year.

All Other Operations Segment

Net revenues for Toyota's other businesses increased by ¥101.0 billion, or 12.7%, to ¥896.2 billion during fiscal 2004 compared with the prior year. This increase resulted primarily from the impact of increased production volume and sales from the housing business.

Operating Costs and Expenses

Operating costs and expenses increased by ¥1,398.0 billion, or 9.8%, to ¥15,627.9 billion during fiscal 2004 compared with the prior year. The increase is comprised of approximately ¥1,000.0 billion, primarily from the impact on cost of products attributed to increased vehicle unit sales, a ¥470.0 billion impact from the consolidation of the results of subsidiaries previously accounted for on the equity basis, a ¥110.0 billion impact of increase in labor costs, and the impact of increased parts and service sales. These increases were partially offset by the approximate ¥230.0 billion impact of cost reduction efforts and a ¥107.0 billion net gain on the transfer of the substitutional portion of certain employee pension funds in Japan.

In 2001, the Corporate Defined Benefit Pension Plan Law was enacted and allowed a company to transfer the substitutional portion of the obligation to the government. The parent company and certain subsidiaries in Japan applied for an exemption from the payment of benefits related to future employee services with respect to the substitutional portion of their employee pension funds and obtained approval from the Minister of Health, Labor, and Welfare. These companies also applied for approval for the separation of the benefit obligations of the substitutional portion which relates to past employee services. After approval was obtained, the parent company and certain subsidiaries completed the transfer of the government-specified portion of plan assets relating to the substitutional portion in fiscal 2004. In accordance with the Emerging Issues Task Force ("EITF") No. 03-02, *Accounting for the transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund*

Liabilities, settlement losses relating to the transfer of the substitutional portion was ¥213.9 billion and is reflected in cost of products sold (¥190.1 billion) and selling, general and administrative expenses (¥23.8 billion) for fiscal 2004. In addition, the government subsidy representing the difference between the benefit obligations of the substitutional portion and the government-specified portion of plan assets of ¥320.9 billion transferred to the government reduced selling, general and administrative expenses. The net impact of these items was a reduction of operating expenses by ¥107.0 billion during fiscal 2004. See note 19 to the consolidated financial statements.

Continued cost reduction efforts reduced costs and expenses for fiscal 2004 by approximately ¥230.0 billion over what would have otherwise been incurred. These cost reduction efforts relate to ongoing value engineering and value analysis activities, the use of common parts that results in a reduction of part types and other manufacturing initiatives designed to reduce the costs of vehicle production.

Cost of products sold increased by ¥1,592.1 billion, or 13.4%, to ¥13,506.3 billion during fiscal 2004 compared with the prior year. This increase (before the elimination of intersegment amounts) reflects an increase of ¥1,485.3 billion, or 12.9%, for the automotive operations and an increase of ¥92.5 billion, or 13.8%, for the all other operations segment. The increase in cost of products sold for the automotive operations is primarily due to the combined net impact of increased vehicle unit sales and changes in sales mix, the consolidation of the results of subsidiaries previously accounted for on the equity basis, the impact of increased parts and service sales, the increase in research and development expenses and settlement loss on transfer of the substitutional portion of the employee pension fund that was partially offset by the impact of continued cost reduction efforts and the impact of foreign currency translation rates fluctuations during fiscal 2004.

Cost of financing operations decreased by ¥59.7 billion, or 14.1%, to ¥364.2 billion during fiscal 2004 compared with the prior year. The decrease resulted primarily from the impact of gains on derivative financial instruments that are not designated as hedges and are marked-to-market at the end of each period, the impact of decreased interest expenses caused primarily by lower interest rates in the United States and the impact of fluctuations in foreign currency translation rates.

The cost of all other operations increased ¥90.3 billion, or 11.4% during fiscal 2004 compared to the prior year. The increase results from the increase in net revenues from Toyota's other businesses.

Selling, general and administrative expenses (after the elimination of intersegment amounts) decreased by ¥134.4 billion, or 7.1%, to ¥1,757.4 billion during fiscal 2004 compared with the prior year. This decrease (before the elimination of intersegment amounts) reflects a decrease of ¥95.0 billion, or 6.0%, for the automotive operations, a decrease of ¥43.7 billion, or 16.3%, for the financial services operations and a decrease of ¥2.3 billion, or 1.9%, for the other operations segment. The decrease for the automotive operations consisted primarily of the impact of continued cost reduction efforts, the impact of fluctuations in foreign currency translation rates and the government subsidy relating to the transfer of the substitutional portion of certain employee pension funds that was partially offset by the impact of increased labor costs arising from the expansion of operations overseas and increases in advertising costs. The decrease for the financial services operations results from lower provisions for credit losses especially in North America due to an improvement in the delinquent loan collection rate and the impact of fluctuations in foreign currency translation rates.

Research and development expenses (included in cost of products sales and selling, general and administrative expenses) increased by ¥13.8 billion, or 2.1%, to ¥682.2 billion during fiscal 2004 compared with the prior year, as a result of the impact of research related to anticipatory, advanced and environmental technologies with a central focus on the development of a fuel cell battery and the impact of expanding new models to promote Toyota's strength in a competitive global market for the future.

Operating Income

Toyota's operating income increased by ¥395.2 billion, or 31.1%, to ¥1,666.8 billion during fiscal 2004 compared with the prior year. Operating income was favorably affected primarily by vehicle unit sales growth, the impact of increased parts and service sales, continued cost reduction efforts, net gains on the transfer of the substitutional portion of certain employee pension funds and the consolidation of the results of subsidiaries previously accounted for on the equity basis. These increases were partially offset by increases in labor costs and advertising costs. As a result, operating income as a percentage of revenue increased to 9.6% for fiscal 2005 compared to 8.2% in the prior years.

During fiscal 2004, operating income (before the elimination of intersegment profits) increased by ¥163.8 billion, or 17.4%, in Japan, ¥111.0 billion, or 39.6%, in North America, ¥64.2 billion, or 772.7% in Europe and ¥51.3 billion, or 112.4% in all other markets compared with the prior year. The increase in Japan relates primarily to the impact of increased production volume and vehicle unit sales, continued cost reduction efforts, the impact of the net gains on the transfer of the substitutional portion of certain employee funds and the consolidation of the results of subsidiaries previously accounted for on the equity basis. These increases were partially offset by the impact of fluctuations in foreign currency translation rates against Toyota's non-domestic sales produced in Japan. The increase in North America relates primarily to the increase in production volume and vehicle unit sales, the impact of cost reduction efforts of manufacturing companies, lower provisions for credit losses and the impact of unrealized gains on interest rate swaps held by sales financing subsidiaries, that were partially offset by the negative impact of the exchange rate of the yen against the U.S. dollar. The increase in the European market relates mainly to the impact of cost reduction efforts of manufacturing companies, an increase in production volume and vehicle unit sales, the impact of changes in sales mix and a favorable exchange rate of the yen against the Euro, that was partially offset by the increase in labor costs due to the expansion of operations. The increase in other markets relates primarily to the impact of the increase in production volume and vehicle unit sales mainly in Asia and a general improvement in other markets.

The following is a discussion of operating income for each of Toyota's business segments. The operating income amounts discussed are before the elimination of intersegment profits.

Automotive Operations Segment

Operating income from Toyota's automotive operations increased by ¥272.1 billion, or 21.8%, to ¥1,519.0 billion during fiscal 2004 compared with the prior year. Operating income was favorably affected primarily by the increase in vehicle unit sales, the increase in parts and service sales, the impact of continued cost reduction efforts, net gains on the transfer of the substitutional portion of certain employee pension funds, the consolidation of the results of subsidiaries previously accounted for on the equity basis, and the favorable exchange rate fluctuations of the yen against the euro. These increases were partially offset by increases in labor costs and advertising expenses, and the unfavorable exchange rate fluctuations of the yen against the U.S. dollar.

Financial Services Operations Segment

Operating income from Toyota's financial services operations increased by ¥115.7 billion, or 381.4%, to ¥146.0 billion during fiscal 2004 compared with the prior year. This increase was primarily due to the impact of gains on derivative financial instruments, lower provisions for credit losses, an increase in the finance receivables asset base, the decrease in interest expenses attributed to lower interest rates on borrowings in the United States and the increase in the number of credit cards issued in Japan. These increases were partially offset by the unfavorable fluctuations in the U.S. dollar exchange rate against the yen.

All Other Operations Segment

Operating income from Toyota's other businesses increased by ¥10.7 billion, or 236.7% to ¥15.2 billion during fiscal 2004. This increase primarily relates to increased revenue from the prefabricated housing business.

Other Income and Expenses

Interest and dividend income increased by ¥3.0 billion, or 5.6%, to ¥55.6 billion during fiscal 2004 compared with the prior year due to an increase in investment securities in the United States subsidiary, which was partially offset by lower interest rates in the United States.

Interest expense decreased by ¥9.8 billion, or 32.0%, to ¥20.7 billion during fiscal 2004 compared with the prior year due to a decrease in borrowings in the automotive segment and lower interest rates in the United States.

Foreign exchange gain, net increased by ¥2.6 billion, or 7.3%, to ¥38.2 billion during fiscal 2004 compared with the prior year. Foreign exchange gain and loss include the differences between the value of foreign currency denominated sales translated at prevailing exchange rates and the value of the sales amounts settled during the year, including those settled using forward foreign currency exchange contracts.

Other gain and loss changed to a gain of ¥25.8 billion from a loss of ¥102.8 billion in the prior year. During fiscal 2003, there were losses of ¥111.3 billion relating to other-than temporary impairments on investment securities. During fiscal 2004, there were no material impairments on investment securities primarily attributed to the more favorable stock market conditions in Japan.

Income Taxes

Provision for income taxes increased by ¥164.3 billion during fiscal 2004 compared with the prior year, primarily as a result of the increase in income before income taxes and an increased provision for taxes on undistributed earnings of affiliated companies accounted for by the equity method. The effective tax rate for fiscal 2004 decreased to 38.6% from 42.1% for the prior year due to the reduction in valuation allowances and an increase in certain tax credits.

Minority Interest in Consolidated Subsidiaries and Equity in Earnings of Affiliated Companies

Minority interest in consolidated subsidiaries increased by ¥31.1 billion to ¥42.6 billion during fiscal 2004 compared with the prior year. This increase was mainly due to the consolidation of the results of subsidiaries previously accounted for on the equity basis.

Equity in earnings of affiliated companies during fiscal 2004 increased by ¥67.4 billion to ¥120.2 billion compared with the prior year due to an increase in net income as a result of favorable operations at most of the affiliated companies, a net gain on the transfer of the substitutional portion of an employee pension fund of an affiliate company in Japan, partially offset by the acquisition and consolidation of certain affiliate companies.

Net Income

Toyota's net income increased by ¥411.1 billion, or 54.8%, to ¥1,162.0 billion during fiscal 2004 compared with the prior year.

Other Comprehensive Income and Loss

Other comprehensive income and loss increased by ¥736.6 billion to an income of ¥399.7 billion during fiscal 2004 compared with the prior year. This change resulted primarily from an increase in unrealized holding gains on securities during fiscal 2004 of ¥329.7 billion compared with unrealized holding losses of ¥26.5 billion in the prior year due to favorable market conditions in Japan and minimum pension liability adjustments during fiscal 2004, which resulted in a ¥273.3 billion gain adjustment compared with a ¥171.9 billion loss adjustment in the prior year due to the transfer of the substitutional portion of certain employee pension funds, an increase in cash contributions to the plans, and the increase in the market value of assets of the plans, offset by an increase in the losses for foreign currency translation adjustments during fiscal 2004 of ¥203.3 billion compared with a losses of ¥139.3 billion in the prior year.

LIQUIDITY AND CAPITAL RESOURCES

Historically, Toyota has funded its capital expenditures and research and development activities primarily through cash generated by operations.

Toyota expects to sufficiently fund its capital expenditures and research and development activities in fiscal 2006 primarily through cash and cash equivalents on hand and increases in cash and cash equivalents from operating activities. See "Information on the Company—Business Overview—Capital Expenditures and Divestitures" in Toyota's annual report on Form 20-F for information regarding Toyota's material capital expenditures and divestitures for fiscal 2003, 2004 and 2005 and information concerning Toyota's principal capital expenditures and divestitures currently in progress.

Toyota funds its financing programs for customers and dealers, including loans and leasing programs, from both operating cash flows and borrowings by its finance subsidiaries. Toyota seeks to expand its ability to raise funds locally in markets throughout the world by expanding its network of finance subsidiaries.

During fiscal 2005, Toyota changed its presentation of cash flows attributed to origination and collection activities of finance receivables relating to the sales of inventory in its consolidated statement of cash flows from investing activities to operating activities. This change in presentation was based on concerns raised by the staff of the Division of the Corporation Finance of the United States Securities and Exchange Commission.

To conform the prior years' statements of cash flows to the new presentation adopted in fiscal 2005, Toyota reclassified similar amounts reported for these items in fiscal 2003 and 2004.

The following table sets forth a reconciliation of Toyota's current year presentation of cash flows attributed to finance receivables compared to the presentation of cash flows reported in prior periods.

	Yen in millions	
	For the years ended March 31,	
	2003	2004
Net cash provided by operating activities		
As previously reported	¥2,085,047	¥2,283,023
Amount reclassified from investing activities	(144,959)	(96,289)
Net cash provided by operating activities		
After reclassified	¥1,940,088	¥2,186,734
Net cash used in investing activities		
As previously reported	¥(2,146,407)	¥(2,312,784)
Amount reclassified to operating activities	144,959	96,289
Net cash used in investing activities		
After reclassified	¥(2,001,448)	¥(2,216,495)

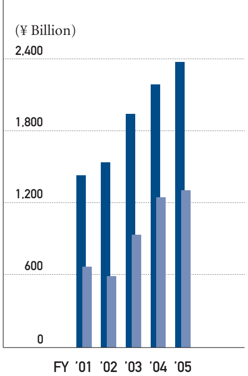
Net cash outflows from finance receivables relating to the sale of inventories reported in operating activities in the consolidated statement of cash flows for the year ended March 31, 2005 were ¥55.9 billion. See note 4 and 7 to the consolidated financial statements.

Net cash provided by operating activities was ¥2,370.9 billion for fiscal 2005, compared with ¥2,186.7 billion for the prior year. The increase in net cash provided by operating activities resulted primarily from increased operating cash flows attributed to the growth in business of the financial services operations.

Net cash used in investing activities was ¥3,061.1 billion for fiscal 2005, compared with ¥2,216.4 billion for the prior year. The increase in net cash used in investing activities resulted primarily from the decrease in sales, redemptions and maturities of marketable securities and security investments and an increase in additions of equipment leased to others, which was partially offset by decrease in additions to finance receivables.

Net cash provided by financing activities was ¥419.3 billion for fiscal 2005, compared with ¥242.2 billion for the prior year. The increase in net cash provided by financing activities resulted primarily from an increase in long-term debt and a decrease in purchases of common stock, which was partially offset by increased payments of short-term borrowings.

Net Cash Provided by Operating Activities and Free Cash Flow*



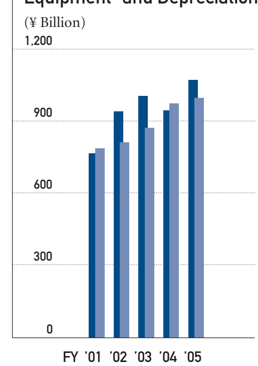
Net cash provided by operating activities
Free cash flow
* (Net cash provided by operating activities) – (Capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases)

Total capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases, were ¥1,068.2 billion during fiscal 2005, an increase of 13.0% over the ¥945.8 billion in total capital expenditures for the prior year. The increase in capital expenditures resulted primarily from the impact of increased capital expenditures in domestic subsidiaries and overseas capital expenditures for IMV.

Total expenditures for vehicles and equipment on operating leases were ¥854.9 billion during fiscal 2005, an increase of 57.5% over the ¥542.7 billion in expenditures in the prior year. The change resulted primarily from increased operating lease assets in finance subsidiaries in North America and Europe.

Toyota expects investments in property, plant and equipment, excluding vehicles leased to others, to approximate ¥1,250.0 billion during fiscal 2006. Toyota's expected capital expenditures include approximately ¥770.0 billion in Japan, ¥220.0 billion in North America, ¥110.0 billion in Europe and ¥150.0 billion in all other areas, respectively.

Capital Expenditures for Property, Plant and Equipment* and Depreciation



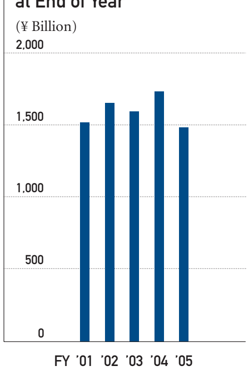
Capital expenditures
Depreciation
* Excluding vehicles and equipment on operating leases

Based on currently available information, Toyota does not expect environmental matters to have a material impact on its financial position, results of operations, liquidity or cash flows during fiscal 2006. However, there exists a substantial amount of uncertainty with respect to Toyota's obligations under current and future environment regulations as described in "Information on the Company—Business Overview—Governmental Regulations, Environment and Safety Standards" in Toyota's annual report on Form 20-F.

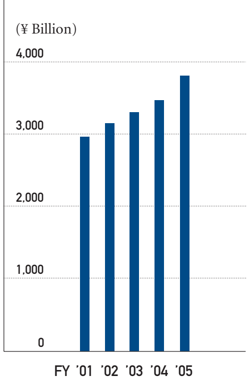
Cash and cash equivalents were ¥1,483.7 billion at March 31, 2005. Most of Toyota's cash and cash equivalents are held in Japanese yen and the U.S. dollars. In addition, time deposits were ¥63.6 billion and marketable securities were ¥543.1 billion at March 31, 2005.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, marketable debt securities and its investment in monetary trust funds, increased during fiscal 2005 by ¥353.8 billion, or 10.2%, to ¥3,810.0 billion.

Cash and Cash Equivalents at End of Year



Liquid Assets*



* Cash and cash equivalents, time deposits, marketable debt securities and its investment in monetary trust funds

Trade accounts and notes receivable, net increased during fiscal 2005 by ¥84.7 billion, or 5.5%, to ¥1,616.3 billion, reflecting the impact of increased revenues and the impact of the change in foreign currency translation rates.

Inventories increased during fiscal 2005 by ¥223.4 billion, or 20.6%, to ¥1,306.7 billion, reflecting the impact of increased volumes and the impact of the change in foreign currency translation rates.

Total finance receivables, net increased during fiscal 2005 by ¥1,135.1 billion, or 19.4%, to ¥6,987.0 billion. The change resulted from the increase in retail financings due to the increase in vehicle unit sales, the increase in wholesale and other dealer loans, including real estate loans and working capital financings provided to dealers and a decrease in securitizations of finance receivables in finance subsidiaries in North America. These increases were partially offset by the decrease in finance leases. As of March 31, 2005, finance receivables were geographically distributed as follows: in North America 64.0%, in Japan 15.7%, in Europe 10.3% and in all other markets 10.0%. Toyota maintains programs to sell finance receivables through special purpose entities and obtained proceeds from securitization transactions, net of purchased and retained interests totaling ¥48.9 billion during fiscal 2005.

Marketable securities and other securities investments, including those included in current assets, increased during fiscal 2005 by ¥556.8 billion, or 20.7%, to ¥3,247.2 billion, primarily reflecting the increase of U.S. treasury notes held by a manufacturing subsidiary in North America and Japanese government bonds held by the parent company.

Property, plant and equipment increased during fiscal 2005 by ¥440.9 billion, or 8.2%, reflecting an increase in capital expenditures and the impact of changes in foreign currency translation rates, which was partially offset by the depreciation charges during the year.

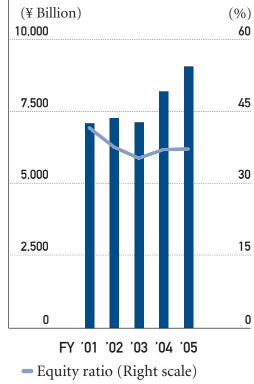
Accounts payable increased during fiscal 2005 by ¥147.4 billion, or 8.6%, reflecting the increased product volumes and the impact of changes in foreign currency translation rates.

Accrued expenses increased during fiscal 2005 by ¥156.1 billion, or 13.8%, reflecting the increase in expenses due to the expansion of the business.

Income taxes payable increased during fiscal 2005 by ¥40.3 billion, or 15.9%, principally as a result of the increase in taxable income especially in subsidiaries in North America and Asia.

Toyota's total borrowings increased during fiscal 2005 by ¥986.1 billion, or 13.0%. Toyota's short-term borrowings consist of loans with a weighted-average fixed interest rate of 1.58% and commercial paper with a weighted-average fixed interest rate of 2.81%. Short-term borrowings increased during fiscal 2005 by ¥192.8 billion, or 8.8%, to ¥2,381.8 billion. Toyota's long-term debt consists of unsecured and secured loans, medium-term notes, unsecured notes and long-term capital lease obligations ranging from 0.01% to 27.00%, with maturity dates ranging from 2005 to 2035. Toyota's long-term debt also consists of notes payable related to securitized finance receivables structured as collateralized borrowings. The current portion of long-term debt increased during fiscal 2005 by ¥25.7 billion, or 2.3%, to ¥1,150.9 billion and the non-current portion increased by ¥767.6 billion, or 18.1%, to ¥5,014.9 billion. The increase in total borrowings reflects the expansion of the financial

Shareholders' Equity and Equity Ratio



services operations. At March 31, 2005, approximately 38% of long-term debt was denominated in U.S. dollars, 27% in Japanese yen, 17% in euros and 18% in other currencies. Toyota hedges fixed rate exposure by entering into interest rate swaps. There are no material seasonal variations in Toyota's borrowings requirements.

As of March 31, 2005, Toyota's total interest bearing debt was 94.5% of total shareholders' equity, compared to 92.5% as of March 31, 2004.

Toyota's long-term debt was rated "AAA" by Standard & Poor's Ratings Group, "Aaa" by Moody's Investors Services and "AAA" by Rating and Investment Information, Inc. as of March 31, 2005. These ratings represent the highest long-term debt ratings published by each of the respective rating agencies. A credit rating is not a recommendation to buy, sell or hold securities. A credit rating may be subject to withdrawal or revision at any time. Each rating should be evaluated separately of any other rating.

Toyota's treasury policy is to maintain controls on all exposures, to adhere to stringent counterparty credit standards, and to actively monitor marketplace exposures. Toyota centralized, and is pursuing global efficiency of, its financial services operations through Toyota Financial Services Corporation.

The key element of Toyota's financial policy is maintaining a strong financial position that will allow Toyota to fund its research and development initiatives, capital expenditures and financing operations on a cost effective basis even if earnings experience short-term fluctuations. Toyota believes that it maintains sufficient liquidity for its present requirements and that by maintaining their high credit ratings, it will continue to be able to access funds from external sources in large amounts and at relatively low costs. Toyota's ability to maintain its high credit ratings is subject to a number of factors, some of which are not within Toyota's control. These factors include general economic conditions in Japan and the other major markets in which Toyota does business, as well as Toyota's successful implementation of its business strategy.

Toyota's unfunded pension liabilities decreased during fiscal 2005 by ¥325.2 billion, or 38.7% to ¥516.0 billion. The unfunded pension liabilities relate primarily to the parent company and its Japanese subsidiaries. The unfunded amounts will be funded through future cash contributions by Toyota and its employees or in some cases will be funded on the retirement date of each covered employee. The unfunded pension liabilities decreased in fiscal 2005 compared to the prior year due to the transfer to the government of the substitutional portion of certain employee pension funds in some of Toyota's subsidiaries, cash contributions to the plans and the increase in the market value of assets of the plans. See note 19 to the consolidated financial statements.

OFF-BALANCE SHEET ARRANGEMENTS

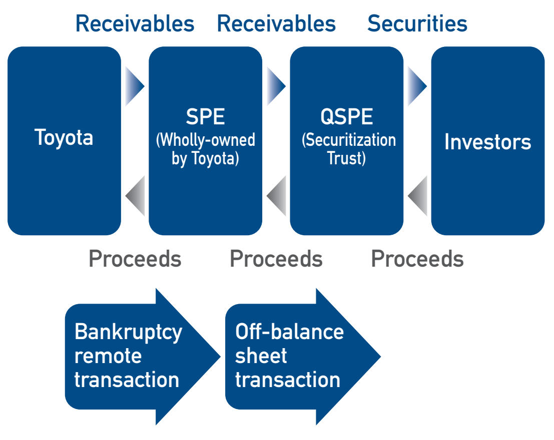
Securitization Funding

Toyota uses its securitization program as part of its funding for its financial services operations. Toyota believes that the securitizations are an important element of its financial services operations as it provides a cost-effective funding source.

Securitization of receivables allows Toyota to access a highly liquid and efficient capital market while providing Toyota with an alternative source of funding and investor diversification. See note 7 to the consolidated financial statements with respect to the impact on the balance sheet, income statement, and cash flows of these securitizations.

Toyota's securitization program involves a two-step transaction. Toyota sells discrete pools of retail finance receivables to a wholly-owned, bankruptcy remote special purpose entity ("SPE"), which in turn transfers the receivables to a qualified special purpose entity ("QSPE" or "securitization trust") in exchange for the proceeds from securities issued by the securitization trust. Once the receivables are transferred to the QSPE, the receivables are no longer assets of Toyota and, therefore, no longer appear in Toyota's consolidated balance sheet. These securities are secured by collections on the sold receivables and structured into senior and subordinated classes.

The following flow chart diagrams a typical securitization transaction:



Toyota's use of SPEs in securitizations is consistent with conventional practices in the securitization markets. The sale to the SPE isolates the sold receivables from other creditors of Toyota for the benefit of securitization investors and, assuming accounting requirements are satisfied, the sold receivables are accounted for as a sale. While Toyota retains subordinated interests, investors in securitizations have no recourse to Toyota, any cash reserve funds, or any amounts available or funded under the revolving liquidity notes discussed below. Toyota does not guarantee any securities issued by the securitization trust. Each SPE has a limited purpose and may only be used to purchase and sell the receivables. The individual securitization trusts have a limited duration and generally terminate when investors holding the asset-backed securities have been paid all amounts owed to them.

The SPE retains an interest in the securitization trust. The retained interest includes subordinated securities issued by the securitization trust and interest-only strips representing the right to receive any excess interest. The retained interests are subordinated and serve as credit enhancements for the more senior securities issued by the securitization trust. The retained interests are held by the SPE as restricted assets and are not available to satisfy any obligations of Toyota. If forecasted future cash flows result in an other-than-temporary decline in the fair value of the retained interests, then an impairment loss is recognized to the extent that the fair value is less than the carrying amount. Such losses would be included in the consolidated statement of income. These retained interests as well as senior securities purchased by Toyota are reflected in the consolidated balance sheet for accounting purposes.

Various other forms of credit enhancements are provided to reduce the risk of loss for senior classes of securities. These credit enhancements may include the following:

Cash reserve funds or restricted cash

A portion of the proceeds from the sale of asset-backed securities may be held by the securitization trust in segregated reserve funds and may be used to pay principal and interest to investors if collections on the sold receivables are insufficient. In the event a trust experiences charge-offs or delinquencies above specified levels, additional excess amounts from collections on receivables held by the securitization trusts will be added to such reserve funds.

Revolving liquidity notes

In certain securitization structures, revolving liquidity notes ("RLN") are used in lieu of deposits to a cash reserve fund. The securitization trust may draw upon the RLN to cover any shortfall in interest and principal payments to investors. Toyota funds any draws, and the terms of the RLN obligate the securitization trust to repay amounts drawn plus accrued interest. Repayments of principal and interest due under the RLN are subordinated to principal and interest payments on the asset-backed securities and, in some circumstances, to deposits into a reserve account. If collections are insufficient to repay amounts outstanding under a RLN, Toyota will recognize a loss for the outstanding amounts. Toyota must fund the entire amount available under the RLN if Toyota's short-term unsecured debt rating is downgraded below P-1 or A-1 by Moody's or S&P, respectively. Management believes the likelihood of Toyota incurring such losses or Toyota's short-term credit rating being downgraded is remote. There were no outstanding amounts drawn on the RLN's at March 31, 2004 and 2005. The RLN had no material fair value as of March 31, 2004 and 2005. Toyota has not recognized a liability for the RLN because it does not expect to be required to fund any amounts under the RLN.

Toyota may enter into a swap agreement with the securitization trust under which the securitization trust is obligated to pay Toyota a fixed rate of interest on payment dates in exchange for receiving amounts equal to the floating rate of interest payable on the asset backed securities. This arrangement enables the securitization trust to issue securities bearing interest on a basis different from that of the receivables held.

Toyota continues to service the sold receivables for a servicing fee. Toyota's servicing duties include collecting payments on receivables and submitting them to the trustee for distribution to the certificate holders. While servicing the sold receivables for the securitization trusts, Toyota applies the same servicing policies and procedures that are applied to the owned receivables and maintains a normal relationship with the financing customers.

Other significant provisions relating to securitizations are described below.

Receivable repurchase obligations

Toyota makes certain representations and warranties to the SPE, and the SPE makes corresponding representations and warranties to the securitization trust, relating to receivables sold in a securitization. Toyota and the SPE may be required to repurchase any receivables in the event of a breach of a representation and warranty relating to the receivable that materially and adversely affects the interest of the SPE, or securitization trust, as applicable. In addition, Toyota, as servicer of the receivables, may be required to repurchase any receivable in the event of a breach of a covenant by the servicer with respect to the receivable that materially and adversely affects the interest of the securitization trust or of an extension or modification of a receivable as to which Toyota, as servicer, does not commit to make advances to fund reductions in interest payments. The repurchase price is generally the outstanding principal balance of the receivable and accrued interest. These provisions are customary for securitization transactions.

Advancing requirements

As the servicer, Toyota is required to advance certain shortfalls in obligor payments to the securitization trust to the extent it believes the advance will be recovered from future collections of that receivable. Generally, the securitization trust is required to reimburse Toyota for these advances from collections on all receivables before making other required payments. These provisions are customary for securitization transactions.

Lending Commitments

Credit facilities with credit card holders

Toyota's financial services operation issues credit cards to customers. As customary for credit card businesses, Toyota maintains credit facilities with holders of credit cards issued by Toyota. These facilities are used upon each holders' requests up to the limits established on an individual holder basis. Although loans made to customers through this facility are not secured, for the purposes of minimizing credit risks and of appropriately establishing credit limits for each individual credit card holder, Toyota employs its own risk management policy which includes an analysis of information provided by financial institutions in alliance with Toyota. Toyota periodically reviews and revises, as appropriate, these credit limits. Outstanding credit facilities with credit card holders were ¥1,885.8 billion as of March 31, 2005.

Credit facilities with dealers

Toyota's financial services operation maintains credit facilities with dealers. These credit facilities may be used for business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. These loans are typically collateralized with liens on real estate, vehicle inventory, and/or other dealership assets, as appropriate. Toyota obtains a personal guarantee from the dealer or corporate guarantee from the dealership when deemed prudent. Although the loans are typically collateralized or guaranteed, the value of the underlying collateral or guarantees may not be sufficient to cover Toyota's exposure under such agreements. Toyota prices the credit facilities according to the risks assumed in entering into the credit facility. Toyota's financial services operation also provides financing to various multi-franchise dealer organizations, referred to as dealer groups, often as part of a lending consortium, for wholesale inventory financing, business acquisitions, facilities refurbishment, real estate purchases, and working capital requirements. Toyota's outstanding credit facilities with dealers totaled ¥1,169.5 billion as of March 31, 2005.

Guarantees

Toyota enters into certain guarantee contracts with its dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when requested by Toyota dealers. Guarantee periods are set to match the maturity of installment payments, and at March 31, 2005 range from one month to 35 years; however, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments. The maximum potential amount of future payments as of March 31, 2005 is ¥1,139.6 billion. Liabilities for these guarantees of ¥3.7 billion have been provided as of March 31, 2005. Under these guarantee contracts, Toyota is entitled to recover any amounts paid by it from the customers whose obligations it guaranteed.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

For information regarding debt obligations, capital lease obligations, operating leases, and other obligations, including amounts maturing in each of the next five years, see notes 13, 22 and 23 to the consolidated financial statements. In addition, as part of Toyota's normal business practices, Toyota enters into long-term arrangements with suppliers for purchases of certain raw materials, components and services. These arrangements may contain fixed/minimum quantity purchase requirements. Toyota enters into such arrangements to facilitate an adequate supply of these materials and services.

The following tables summarize Toyota's contractual obligations and commercial commitments as of March 31, 2005:

	Yen in millions				
		Payments Due by Period			
	Total	Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
Contractual Obligations:					
Short-term borrowings (note 13)					
Loans	¥ 789,801	¥ 789,801			
Commercial paper	1,592,026	1,592,026			
Long-term debt* (note 13)	6,094,565	1,133,876	¥2,486,313	¥1,546,951	¥927,425
Capital lease obligations (note 13)	71,280	17,044	24,988	9,493	19,755
Non-cancelable operating lease obligations (note 22)	43,151	8,649	12,010	7,837	14,655
Commitments for the purchase of property, plant and other assets (note 23)	87,617	80,026	7,591	—	—
Total	¥8,678,440	¥3,621,422	¥2,530,902	¥1,564,281	¥961,835

*"Long-term debt" represents future principal payments.

Toyota expects to contribute ¥83,862 million to its pension plan in the year ending March 31, 2006.

	Yen in millions				
		Amount of Commitment Expiration Per Period			
	Total Amounts Committed	Less than 1 year	1 to 3 years	3 to 5 years	5 years and after
Commercial Commitments:					
Maximum potential exposure to guarantees given in the ordinary course of business (note 23)	¥1,139,638	¥372,904	¥515,551	¥196,283	¥54,900
Total Commercial Commitments	¥1,139,638	¥372,904	¥515,551	¥196,283	¥54,900

RELATED PARTY TRANSACTIONS

Toyota does not have any significant related party transactions other than transactions with affiliated companies in the ordinary course of business as described in note 12 to the consolidated financial statements.

LEGISLATION REGARDING END-OF-LIFE VEHICLES

In September 2000, the European Union approved a directive that requires member states to promulgate regulations implement the following by April 21, 2002:

- manufacturers shall bear all or a significant part of the costs for taking back end-of-life vehicles put on the market after July 1, 2002 and dismantling and recycling those vehicles. Beginning January 1, 2007, this requirement will also be applicable to vehicles put on the market before July 1, 2002;
- manufacturers may not use certain hazardous materials in vehicles sold after July 2003;
- vehicles type-approved and put on the market from three years after the amendment of the directive on type-approval shall be re-usable and/or recyclable to a minimum of 85% by weight per vehicle and shall be re-usable and/or recoverable to a minimum of 95% by weight per vehicle; and
- end-of-life vehicles must meet actual re-use of 80% and re-use as material or energy of 85%, respectively, of vehicle weight by 2006, rising respectively to 85% and 95% by 2015.

  See note 23 to the consolidated financial statements for further discussion.

RECENT ACCOUNTING PRONOUNCEMENTS IN THE UNITED STATES

In November 2004, FASB issued FAS No. 151, Inventory Costs—an amendment of ARB No. 43, Chapter 4 ("FAS 151"). FAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . .". FAS 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. FAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In December 2004, the Financial Accounting Standards Board ("FASB") issued FAS No. 123(R), Share-Based Payment (revised 2004) ("FAS 123(R)"). FAS 123(R) is a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation ("FAS 123"), supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), and its related implementation guidance. FAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. FAS 123(R) also requires a public entity to initially measure the cost of employee services received in exchange for an award of liability instruments based on its current fair value; the fair value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value will be recognized as compensation cost over that period. Although Toyota is required to implement the standard as of the beginning of the first interim or annual period that begins after June 15, 2005 under Statement No. 123(R), the Securities and Exchange Commission has amended the compliance date and Toyota is required to adopt the Standard at the beginning of its next fiscal year, instead of the next reporting period, that begins after June 15, 2005. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In December 2004, FASB issued FAS No. 153, Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29 ("FAS 153"). The guidance in APB Opinion No. 29, Accounting for Nonmonetary Transactions, is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion; however, included certain exceptions to that principle. FAS 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. FAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In March 2005, FASB issued the FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143 ("FIN 47"). This Interpretation clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, Accounting for Asset Retirement Obligations, refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires a company to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In May 2005, FASB issued FAS No. 154, Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3 ("FAS 154"). FAS 154 replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. FAS 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement when the pronouncement does not include specific transition provisions. APB Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. FAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle. FAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of applying FAS 154 will depend on the change, if any, that Toyota may identify and record in future period.

CRITICAL ACCOUNTING ESTIMATES

The consolidated financial statements of Toyota are prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Toyota believes that of its significant accounting policies, the following may involve a higher degree of judgments, estimates and complexity:

Product Warranty

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

Allowance for Doubtful Accounts and Credit Losses

Natures of estimates and assumptions

Sales financing and finance lease receivables consist of retail installment sales contracts secured by passenger cars and commercial vehicles. Collectibility risks include consumer and dealer insolvencies and insufficient collateral values (less costs to sell) to realize the full carrying values of these receivables. As a matter of policy, Toyota maintains an allowance for doubtful accounts and credit losses representing Toyota management's estimate of the amount of asset impairment in the portfolios of finance, trade and other receivables. Toyota determines the allowance for doubtful accounts and credit losses based on a systematic, ongoing review and evaluation performed as part of the credit-risk evaluation process, historical loss experience, the size and composition of the portfolios, current economic events and conditions, the estimated fair value and adequacy of collateral and other pertinent factors. This evaluation is inherently judgmental and requires material estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant change. Although management considers the allowance for doubtful accounts and credit losses to be adequate based on information currently available, additional provisions may be necessary due to (i) changes in management estimates and assumptions about asset impairments, (ii) information that indicates changes in expected future cash flows, or (iii) changes in economic and other events and conditions. To the extent that sales incentives remain an integral part of sales promotion with the effect of reducing new vehicle prices, resale prices of used vehicles and, correspondingly, the collateral value of Toyota's sales financing and finance lease receivables could experience further downward pressure. If these factors require a significant increase in Toyota's allowance for doubtful accounts and credit losses, it could negatively affect future operating results of the financial services operations. The level of credit losses, which impacts larger on Toyota's results of operations, is influenced primarily by two factors, which are frequency of occurrence and loss severity. For evaluation purposes, exposures to credit loss are segmented into the two primary categories of "consumer" and "dealer". Toyota's consumer portfolio consists of smaller balance homogenous retail finance receivables and lease earning assets. Dealer portfolio consists of wholesale and other dealer financing. The overall allowance for credit losses is evaluated at least quarterly, considering a variety of assumptions and factors to determine whether reserves are considered adequate to cover probable losses.

Sensitivity analysis

The level of credit losses, which could significantly impact Toyota's results of operations, is influenced primarily by two factors: frequency of occurrence and loss severity. The overall allowance for credit losses is evaluated at least quarterly, considering a variety of assumptions and factors to determine whether reserves are considered adequate to cover probable losses. The following table illustrates the effect of an assumed change in expected loss severity, which we believe is one of the key critical estimates for determining the allowance for credit losses, assuming all other assumptions are held consistent. The table below represents the impact on the allowance for credit losses in Toyota's financial services operations as any change impacts most significantly on the financial services operations.

	Yen in millions
	Effect on the allowance for credit losses as of March 31, 2005
10 percent increase in expected loss severity...........	¥4,081

Investment in Operating Leases

Natures of estimates and assumptions

Vehicles on operating leases, where Toyota is the lessor, is valued at acquisition cost and depreciated over its estimated useful life using the straight-line method to its estimated residual value. Toyota utilizes industry published information and its own historical experience to determine estimated residual values for these vehicles. Toyota evaluates the recoverability of the carrying values of its leased vehicles for impairment when there are indications of declines in residual values, and if impaired, Toyota recognizes an allowance for its residual values. In addition, to the extent that sales incentives remain an integral part of sales promotion with the effect of reducing new vehicle prices, resale prices of used vehicles and, correspondingly, the fair value of Toyota's leased vehicles could be subject to downward pressure. If resale prices of used vehicles decline, future operating results of the financial services operations are likely to be adversely affected by incremental charges to reduce estimated residual values. Throughout the life of the lease, management performs periodic evaluations of estimated end-of-term market values to determine whether estimates used in the determination of the contractual residual value are still considered reasonable. Factors affecting the estimated residual value at lease maturity include, but are not limited to, new vehicle incentive programs, new vehicle pricing, used vehicle supply, projected vehicle return rates, and projected loss severity. The vehicle return rate represents the number of leased vehicles returned at contract maturity and sold by Toyota during the period as a percentage of the number of lease contracts that, as of their origination dates, were scheduled to mature in the same period. A higher rate of vehicle returns exposes Toyota to higher potential losses incurred at lease termination. Loss severity is the extent to which the end-of-term market value of a lease is less than its carrying value at lease end.

Sensitivity analysis

The following table illustrates the effect of an assumed change in the vehicle return rate, which we believe is one of the critical estimates, in determining the allowance for residual value, holding all other assumptions constant. The following table represents the impact on the allowance for residual values in Toyota's financial services operations as those changes impact most significantly on financing operations.

	Yen in millions
	Effect on the allowance for residual value as of March 31, 2005
5 percent increase in vehicle return rate	¥1,074

Impairment of Long-Lived Assets

Toyota periodically reviews the carrying value of its long-lived assets held and used and assets to be disposed of, including goodwill and other intangible assets, when events and circumstances warrant such a review. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable; however, changes in estimates of such cash flows and fair values would affect the evaluations and negatively affect future operating results of the automotive operations.

Pension Costs and Obligations

Natures of estimates and assumptions

Pension costs and obligations are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, benefits earned, interest costs, expected rate of return on plan assets, mortality rates and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligations in future periods. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Toyota's pension costs and obligations.

Sensitivity analysis

The following table illustrates the effect of assumed changes in discount rates and the expected rate of return on plan assets, which we believe are critical estimates in determining pension costs and obligations, assuming all other assumptions are consistent.

	Yen in millions	
	Effect on pre-tax income for the year ending March 31, 2006	Effect on PBO as of March 31, 2005
Discount rates		
0.5% decrease	¥(10,496)	¥ 128,713
0.5% increase	8,814	(110,883)
Expected rate of return on plan assets		
0.5% decrease	¥ (4,673)	
0.5% increase	4,673	

Derivatives and Other Contracts at Fair Value

Toyota uses derivatives in the normal course of business to manage its exposure to foreign currency exchange rates and interest rates. The accounting is complex and continues to evolve. In addition, there are the significant judgments and estimates involved in the estimating of fair value in the absence of quoted market values. These estimates are based upon valuation methodologies deemed appropriate in the circumstances; however, the use of different assumptions may have a material effect on the estimated fair value amounts.

Marketable securities

Toyota's accounting policy is to record a write-down of such investments to realizable value when a decline in fair value below the carrying value is other-than-temporary. In determining if a decline in value is other-than-temporary, Toyota considers the length of time and the extent to which the fair value has been less than the carrying value, the financial condition and prospects of the company and Toyota's ability and intent to retain its investment in the company for a period of time sufficient to allow for any anticipated recovery in market value.

MARKET RISK DISCLOSURE

Toyota is exposed to market risk from changes in foreign currency exchange rates, interest rates and certain commodity and equity security prices. In order to manage the risk arising from changes in foreign currency exchange rates and interest rates, Toyota enters into a variety of derivative financial instruments.

A description of Toyota's accounting policies for derivative instruments is included in note 2 to the consolidated financial statements and further disclosure is provided in notes 20 and 21 to the consolidated financial statements.

Toyota monitors and manages these financial exposures as an integral part of its overall risk management program, which recognizes the unpredictability of financial markets and seeks to reduce the potentially adverse effects on Toyota's operating results.

The financial instruments included in the market risk analysis consist of all of Toyota's cash and cash equivalents, marketable securities, finance receivables, securities investments, long-term and short-term debt and all derivative financial instruments. Toyota's portfolio of derivative financial instruments consists of forward foreign currency exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options. Anticipated transactions denominated in foreign currencies that are covered by Toyota's derivative hedging are not included in the market risk analysis. Although operating leases are not required to be included, Toyota has included these instruments in determining interest rate risk.

Foreign Currency Exchange Rate Risk

Toyota has foreign currency exposures related to buying, selling and financing in currencies other than the local currencies in which it operates. Toyota is exposed to foreign currency risk related to future earnings or assets and liabilities that are exposed due to operating cash flows and various financial instruments that are denominated in foreign currencies. Toyota's most significant foreign currency exposures relate to the United States and Western European countries.

Toyota uses a value-at-risk analysis ("VAR") to evaluate its exposure to changes in foreign currency exchange rates. The value-at-risk of the combined foreign exchange position represents a potential loss in pre-tax earnings that are estimated to be ¥37.8 billion as of March 31, 2004 and ¥57.1 billion as of March 31, 2005. Based on Toyota's overall currency exposure (including derivative positions), the risk during the year ended March 31, 2005 to pre-tax cash flow from currency movements was on average ¥50.6 billion, with a high of ¥57.1 billion and a low of ¥46.6 billion.

The VAR was estimated by using a Monte Carlo Simulation method and assumed 95% confidence level on the realization date and a 10-day holding period.

Interest Rate Risk

Toyota is subject to market risk from exposures to changes in interest rates based on its financing, investing and cash management activities. Toyota enters into various financial instrument transactions to maintain the desired level of exposure to the risk of interest rate fluctuations and to minimize interest expense. Certain exchange traded future and option contracts, interest rate caps and floors, along with various investments, have been entered into to reduce the interest rate risk related to these activities. The potential decrease in fair value resulting from a hypothetical 100 basis point upward shift in interest rates would be approximately ¥29.6 billion as of March 31, 2004 and ¥56.3 billion as of March 31, 2005.

There are certain shortcomings inherent to the sensitivity analyses presented. The model assumes interest rate changes are instantaneous parallel shifts in the yield curve; however, in reality, changes are rarely instantaneous. Although certain assets and liabilities may have similar maturities or periods to repricing, they may not react correspondingly to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate with changes in market interest rates, while interest rates on other types of assets may lag behind changes in market rates. Finance receivables are less susceptible to prepayments when interest rates change and, as a result, Toyota's model does not address prepayment risk for automotive related finance receivables. However, in the event of a change in interest rates, actual loan prepayments may deviate significantly from the assumptions used in the model.

Commodity Price Risk

Commodity price risk is the possibility of higher or lower costs due to changes in the prices of commodities, such as non-ferrous (e.g., aluminum), precious metals (e.g., palladium, platinum and rhodium) and ferrous alloys (e.g., steel), which Toyota uses in the production of motor vehicles. Toyota does not use derivative instruments to hedge the price risk associated with the purchase of those commodities and controls its commodity price risk by holding minimum stock levels.

Equity Price Risk

Toyota holds investments in various available-for-sale equity securities which are subject to price risk. The fair value of available-for-sale equity securities was ¥952.5 billion as of March 31, 2004 and ¥904.8 billion as of March 31, 2005. The potential change in the fair value of these investments, assuming a 10% change in prices, would be approximately ¥95.2 billion as of March 31, 2004 and ¥90.4 billion as of March 31, 2005.

CONSOLIDATED BALANCE SHEETS

Toyota Motor Corporation
March 31, 2004 and 2005

	Yen in millions		U.S. dollars in millions
ASSETS	2004	**2005**	**2005**
Current assets			
Cash and cash equivalents	¥ 1,729,776	**¥ 1,483,753**	**$ 13,816**
Time deposits	68,473	**63,609**	**592**
Marketable securities	448,457	**543,124**	**5,058**
Trade accounts and notes receivable, less allowance for doubtful accounts of ¥28,966 million in 2004 and ¥18,656 million ($174 million) in 2005	1,531,651	**1,616,341**	**15,051**
Finance receivables, net	2,622,939	**3,010,135**	**28,030**
Other receivables	396,788	**438,676**	**4,085**
Inventories	1,083,326	**1,306,709**	**12,168**
Deferred income taxes	457,161	**475,764**	**4,430**
Prepaid expenses and other current assets	509,882	**501,994**	**4,675**
Total current assets	8,848,453	**9,440,105**	**87,905**
Noncurrent finance receivables, net	3,228,973	**3,976,941**	**37,033**
Investments and other assets			
Marketable securities and other securities investments	2,241,971	**2,704,142**	**25,181**
Affiliated companies	1,370,171	**1,570,185**	**14,621**
Employees receivables	35,857	**49,538**	**461**
Other	960,156	**798,506**	**7,435**
Total investments and other assets	4,608,155	**5,122,371**	**47,698**
Property, plant and equipment			
Land	1,135,665	**1,182,768**	**11,014**
Buildings	2,801,993	**2,935,274**	**27,333**
Machinery and equipment	7,693,616	**7,897,509**	**73,540**
Vehicles and equipment on operating leases	1,493,780	**1,828,697**	**17,029**
Construction in progress	237,195	**214,781**	**2,000**
	13,362,249	**14,059,029**	**130,916**
Less—Accumulated depreciation	(8,007,602)	**(8,263,435)**	**(76,948)**
Property, plant and equipment, net	5,354,647	**5,795,594**	**53,968**
Total assets	¥22,040,228	**¥24,335,011**	**$226,604**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Yen in millions 2004	Yen in millions 2005	U.S. dollars in millions 2005
Current liabilities			
Short-term borrowings	¥ 2,189,024	**¥ 2,381,827**	**$ 22,179**
Current portion of long-term debt	1,125,195	**1,150,920**	**10,717**
Accounts payable	1,709,344	**1,856,799**	**17,290**
Other payables	665,624	**693,041**	**6,454**
Accrued expenses	1,133,281	**1,289,373**	**12,006**
Income taxes payable	252,555	**292,835**	**2,727**
Other current liabilities	522,968	**562,411**	**5,238**
Total current liabilities	7,597,991	**8,227,206**	**76,611**
Long-term liabilities			
Long-term debt	4,247,266	**5,014,925**	**46,698**
Accrued pension and severance costs	725,569	**646,989**	**6,025**
Deferred income taxes	778,561	**811,670**	**7,558**
Other long-term liabilities	65,981	**84,342**	**785**
Total long-term liabilities	5,817,377	**6,557,926**	**61,066**
Minority interest in consolidated subsidiaries	446,293	**504,929**	**4,702**
Shareholders' equity			
Common stock, no par value, authorized: 9,740,185,400 shares in 2004 and 2005; issued: 3,609,997,492 shares in 2004 and 2005	397,050	**397,050**	**3,697**
Additional paid-in capital	495,179	**495,707**	**4,616**
Retained earnings	8,326,215	**9,332,176**	**86,900**
Accumulated other comprehensive loss	(204,592)	**(80,660)**	**(751)**
Treasury stock, at cost, 280,076,395 shares in 2004 and 341,918,553 shares in 2005	(835,285)	**(1,099,323)**	**(10,237)**
Total shareholders' equity	8,178,567	**9,044,950**	**84,225**
Commitments and contingencies			
Total liabilities and shareholders' equity	¥22,040,228	**¥24,335,011**	**$226,604**

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

CONSOLIDATED STATEMENTS OF INCOME

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

	Yen in millions			U.S. dollars in millions
	2003	2004	**2005**	**2005**
Net revenues				
Sales of products	¥14,793,973	¥16,578,033	**¥17,790,862**	**$165,666**
Financing operations	707,580	716,727	**760,664**	**7,083**
	15,501,553	17,294,760	**18,551,526**	**172,749**
Costs and expenses				
Cost of products sold	11,914,245	13,506,337	**14,500,282**	**135,025**
Cost of financing operations	423,885	364,177	**369,844**	**3,444**
Selling, general and administrative	1,891,777	1,757,356	**2,009,213**	**18,709**
	14,229,907	15,627,870	**16,879,339**	**157,178**
Operating income	1,271,646	1,666,890	**1,672,187**	**15,571**
Other income (expense)				
Interest and dividend income	52,661	55,629	**67,519**	**629**
Interest expense	(30,467)	(20,706)	**(18,956)**	**(177)**
Foreign exchange gain, net	35,585	38,187	**21,419**	**199**
Other income (loss), net	(102,773)	25,793	**12,468**	**117**
	(44,994)	98,903	**82,450**	**768**
Income before income taxes, minority interest and equity in earnings of affiliated companies	1,226,652	1,765,793	**1,754,637**	**16,339**
Provision for income taxes	517,014	681,304	**657,910**	**6,126**
Income before minority interest and equity in earnings of affiliated companies	709,638	1,084,489	**1,096,727**	**10,213**
Minority interest in consolidated subsidiaries	(11,531)	(42,686)	**(64,938)**	**(605)**
Equity in earnings of affiliated companies	52,835	120,295	**139,471**	**1,299**
Net income	¥ 750,942	¥ 1,162,098	**¥ 1,171,260**	**$ 10,907**

	Yen			U.S. dollars
Net income per share				
— Basic	¥211.32	¥342.90	**¥355.35**	**$3.31**
— Diluted	¥211.32	¥342.86	**¥355.28**	**$3.31**
Cash dividends per share	¥ 36.00	¥ 45.00	**¥ 65.00**	**$0.61**

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Yen in millions					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total
Balances at March 31, 2002	¥397,050	¥490,538	¥6,804,722	¥(267,304)	¥ (160,894)	¥7,264,112
Issuance during the year		3,252				3,252
Comprehensive income						
Net income			750,942			750,942
Other comprehensive income (loss)						
Foreign currency translation adjustments				(139,285)		(139,285)
Unrealized losses on securities, net of reclassification adjustments				(26,495)		(26,495)
Minimum pension liability adjustments				(171,978)		(171,978)
Net gains on derivative instruments				790		790
Total comprehensive income						413,974
Dividends paid			(110,876)			(110,876)
Purchase and retirement of common stock			(142,993)		(306,469)	(449,462)
Balances at March 31, 2003	397,050	493,790	7,301,795	(604,272)	(467,363)	7,121,000
Issuance during the year		1,389				1,389
Comprehensive income						
Net income			1,162,098			1,162,098
Other comprehensive income (loss)						
Foreign currency translation adjustments				(203,257)		(203,257)
Unrealized gains on securities, net of reclassification adjustments				329,672		329,672
Minimum pension liability adjustments				273,265		273,265
Total comprehensive income						1,561,778
Dividends paid			(137,678)			(137,678)
Purchase and reissuance of common stock					(367,922)	(367,922)
Balances at March 31, 2004	397,050	495,179	8,326,215	(204,592)	(835,285)	8,178,567
Issuance during the year		528				528
Comprehensive income						
Net income			1,171,260			1,171,260
Other comprehensive income						
Foreign currency translation adjustments				75,697		75,697
Unrealized gains on securities, net of reclassification adjustments				38,455		38,455
Minimum pension liability adjustments				9,780		9,780
Total comprehensive income						1,295,192
Dividends paid			(165,299)			(165,299)
Purchase and reissuance of common stock					(264,038)	(264,038)
Balances at March 31, 2005	**¥397,050**	**¥495,707**	**¥9,332,176**	**¥ (80,660)**	**¥(1,099,323)**	**¥9,044,950**

	U.S. dollars in millions					
Balances at March 31, 2004	$3,697	$4,611	$77,532	$(1,905)	$ (7,778)	$76,157
Issuance during the year		5				5
Comprehensive income						
Net income			10,907			10,907
Other comprehensive income						
Foreign currency translation adjustments				705		705
Unrealized gains on securities, net of reclassification adjustments				358		358
Minimum pension liability adjustments				91		91
Total comprehensive income						12,061
Dividends paid			(1,539)			(1,539)
Purchase and reissuance of common stock					(2,459)	(2,459)
Balances at March 31, 2005	**$3,697**	**$4,616**	**$86,900**	**$ (751)**	**$(10,237)**	**$84,225**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Yen in millions			U.S. dollars in millions
	2003	2004	**2005**	**2005**
Cash flows from operating activities				
Net income	¥ 750,942	¥ 1,162,098	**¥ 1,171,260**	**$ 10,907**
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	870,636	969,904	**997,713**	**9,291**
Provision for doubtful accounts and credit losses	99,837	83,138	**63,154**	**588**
Pension and severance costs, less payments	55,637	(159,267)	**(52,933)**	**(493)**
Losses on disposal of fixed assets	46,492	39,742	**49,159**	**458**
Unrealized losses on available-for-sale securities, net	111,346	3,063	**2,324**	**22**
Deferred income taxes	(74,273)	120,828	**84,711**	**789**
Minority interest in consolidated subsidiaries	11,531	42,686	**64,938**	**605**
Equity in earnings of affiliated companies	(52,835)	(120,295)	**(139,471)**	**(1,299)**
Changes in operating assets and liabilities, and other				
Increase in accounts and notes receivable	(191,027)	(90,721)	**(178,363)**	**(1,661)**
Increase in inventories	(38,043)	(53,609)	**(191,545)**	**(1,784)**
(Increase) decrease in other current assets	(58,036)	43,445	**34,674**	**323**
Increase in accounts payable	116,946	159,120	**153,747**	**1,432**
Increase (decrease) in accrued income taxes	(27,340)	(66,006)	**41,228**	**384**
Increase in other current liabilities	181,595	203,535	**190,450**	**1,773**
Other	136,680	(150,927)	**79,894**	**743**
Net cash provided by operating activities	1,940,088	2,186,734	**2,370,940**	**22,078**
Cash flows from investing activities				
Additions to finance receivables	(3,439,936)	(4,547,068)	**(4,296,966)**	**(40,013)**
Collection of finance receivables	2,356,380	3,152,302	**3,311,974**	**30,841**
Proceeds from sale of finance receivables	572,771	243,128	**65,536**	**610**
Additions to fixed assets excluding equipment leased to others leased to others	(1,005,931)	(945,803)	**(1,068,287)**	**(9,948)**
Additions to equipment leased to others	(604,298)	(542,738)	**(854,953)**	**(7,961)**
Proceeds from sales of fixed assets excluding equipment leased to others	61,847	73,925	**69,396**	**646**
Proceeds from sales of equipment leased to others	286,538	288,681	**316,456**	**2,947**
Purchases of marketable securities and security investments	(1,113,998)	(1,336,467)	**(1,165,791)**	**(10,856)**
Proceeds from sales of marketable securities and security investments	197,985	183,808	**121,369**	**1,130**
Proceeds upon maturity of marketable securities and security investments	723,980	1,252,334	**452,574**	**4,214**
Payment for additional investments in affiliated companies, net of cash acquired	(28,229)	(20,656)	**(901)**	**(8)**
Changes in investments and other assets, and other	(8,557)	(17,941)	**(11,603)**	**(107)**
Net cash used in investing activities	(2,001,448)	(2,216,495)	**(3,061,196)**	**(28,505)**
Cash flows from financing activities				
Purchase of common stock	(454,611)	(357,457)	**(264,106)**	**(2,459)**
Proceeds from issuance of long-term debt	1,686,564	1,636,570	**1,863,710**	**17,354**
Payments of long-term debt	(1,117,803)	(1,253,045)	**(1,155,223)**	**(10,757)**
Increase in short-term borrowings	30,327	353,833	**140,302**	**1,306**
Dividends paid	(110,876)	(137,678)	**(165,299)**	**(1,539)**
Other	4,074	—	**—**	**—**
Net cash provided by financing activities	37,675	242,223	**419,384**	**3,905**
Effect of exchange rate changes on cash and cash equivalents	(41,447)	(74,714)	**24,849**	**231**
Net increase (decrease) in cash and cash equivalents	(65,132)	137,748	**(246,023)**	**(2,291)**
Cash and cash equivalents at beginning of year	1,657,160	1,592,028	**1,729,776**	**16,107**
Cash and cash equivalents at end of year	¥ 1,592,028	¥ 1,729,776	**¥ 1,483,753**	**$ 13,816**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Toyota Motor Corporation

1. NATURE OF OPERATIONS

Toyota Motor Corporation (the "parent company") and its subsidiaries (collectively "Toyota") are primarily engaged in the design, manufacture, and sale of sedans, minivans, compact cars, sport-utility vehicles, trucks and related parts and accessories throughout the world. In addition, Toyota provides retail and wholesale financing, retail leasing and certain other financial services primarily to its dealers and their customers related to vehicles manufactured by Toyota.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The parent company and its subsidiaries in Japan maintain their records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries in conformity with those of their countries of domicile. Certain adjustments and reclassifications have been incorporated in the accompanying consolidated financial statements to conform to accounting principles generally accepted in the United States of America.

Significant accounting policies after reflecting adjustments for the above are as follows:

Basis of consolidation and accounting for investments in affiliated companies—

The consolidated financial statements include the accounts of the parent company and those of its majority-owned subsidiary companies. All significant intercompany transactions and accounts have been eliminated. Investments in affiliated companies in which Toyota exercises significant influence, but which it does not control, are stated at cost plus equity in undistributed earnings. Consolidated net income includes Toyota's equity in current earnings of such companies, after elimination of unrealized intercompany profits. Investments in non-public companies in which Toyota does not exercise significant influence (generally less than a 20% ownership interest) are stated at cost. The accounts of variable interest entities as defined by the Financial Accounting Standard Board ("FASB") Interpretation No. 46(R) *Consolidation of Variable Interest Entities (revised December 2003)—an interpretation of ARB No. 51* ("FIN 46(R)") are included in the consolidated financial statements, if applicable.

Estimates—

The preparation of Toyota's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The more significant estimates include: product warranties, allowance for doubtful accounts and credit losses, residual values for leased assets, impairment of long-lived assets, pension costs and obligations, fair value of derivative financial instruments and other-than-temporary losses on marketable securities.

Translation of foreign currencies—

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current exchange rates and all income and expense accounts of those subsidiaries are translated at the average exchange rates for each period. The foreign currency translation adjustments are included as a component of accumulated other comprehensive income.

Foreign currency receivables and payables are translated at appropriate year-end current exchange rates and the resulting transaction gains or losses are recorded in operations currently.

Revenue recognition—

Revenues from sales of vehicles and parts are generally recognized upon delivery which is considered to have occurred when the dealer has taken title to the product and the risk and reward of ownership have been substantively transferred, except as described below.

Toyota's sales incentive programs principally consist of cash payments to dealers calculated based on vehicle volume or a model sold by a dealer during a certain period of time. Toyota accrues these incentives as revenue reductions upon the sale of a vehicle corresponding to the program by the amount determined in the related incentive program.

Revenues from the sales of vehicles under which Toyota conditionally guarantees the minimum resale value is recognized on a pro rata basis from the date of sale to the first exercise date of the guarantee in a manner similar to lease accounting. The underlying vehicles of these transactions are recorded as assets and are depreciated in accordance with Toyota's depreciation policy.

Revenues from retail financing contracts and finance leases are recognized using the effective yield method. Revenues from operating leases are recognized on a straight-line basis over the lease term.

Toyota on occasion sells finance receivables in transactions subject to limited recourse provisions. These sales are to trusts and Toyota retains the servicing rights and is paid a servicing fee. Gains or losses from the sales of the finance receivables are recognized in the period in which such sales occur.

Other costs—
Advertising and sales promotion costs are expensed as incurred. Advertising costs were ¥326,972 million, ¥371,677 million and ¥379,702 million ($3,536 million) for the years ended March 31, 2003, 2004 and 2005, respectively.

Toyota generally warrants its products against certain manufacturing and other defects. Provisions for product warranties are provided for specific periods of time and/or usage of the product and vary depending upon the nature of the product, the geographic location of the sale and other factors. Toyota records a provision for estimated product warranty costs at the time the related sale is recognized based on estimates that Toyota will incur to repair or replace product parts that fail while under warranty. The amount of accrued estimated warranty costs is primarily based on historical experience as to product failures as well as current information on repair costs. The amount of warranty costs accrued also contains an estimate of warranty claim recoveries to be received from suppliers.

Research and development costs are expensed as incurred and ¥668,404 million, ¥682,279 million and ¥755,147 million ($7,032 million) for the years ended March 31, 2003, 2004 and 2005, respectively.

Cash and cash equivalents—
Cash and cash equivalents include all highly liquid investments 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.

Marketable securities—
Marketable securities consist of debt and equity securities. Debt and equity securities designated as available-for-sale are carried at fair value with changes in unrealized gains or losses included as a component of accumulated other comprehensive income in shareholders' equity, net of applicable taxes. Debt securities designated as held-to-maturity investments are carried at amortized cost. Individual securities classified as either available-for-sale or held-to-maturity are reduced to net realizable value for other-than-temporary declines in market value. In determining if a decline in value is other-than-temporary, Toyota considers the length of time and the extent to which the fair value has been less than the carrying value, the financial condition and prospects of the company and Toyota's ability and intent to retain its investment in the company for a period of time sufficient to allow for any anticipated recovery in market value. Realized gains and losses, which are determined on the average-cost method, are reflected in the statement of income when realized.

Security investments in non-public companies—
Security investments in non-public companies are carried at cost as fair value is not readily determinable. If the value of a non-public security investment is estimated to have declined and such decline is judged to be other-than-temporary, Toyota recognizes the impairment of the investment and the carrying value is reduced to its fair value. Determination of impairment is based on the consideration of such factors as operating results, business plans and estimated future cash flows. Fair value is determined principally through the use of the latest financial information.

Finance receivables—
Finance receivables are recorded at the present value of the related future cash flows including residual values for finance leases.

Allowance for credit losses—
Allowance for credit losses are established to cover probable losses on receivables resulting from the inability of customers to make required payments. The allowance for credit losses is based primarily on the frequency of occurrence and loss severity. Other factors affecting collectibility are also evaluated in determining the amount to be provided.

Losses are charged to the allowance when it has been determined that payments will not be received and collateral cannot be recovered or the related collateral is repossessed and sold. Any shortfall between proceeds received and the carrying cost of repossessed collateral is charged to the allowance. Recoveries are reversed from the allowance for credit losses.

Allowance for residual value losses—
Toyota is exposed to risk of loss on the disposition of off-lease vehicles to the extent that sales proceeds are not sufficient to cover the carrying value of the leased asset at lease termination. Toyota maintains an allowance to cover probable estimated losses related to unguaranteed residual values on its owned portfolio. The allowance is evaluated considering projected vehicle return rates and projected loss severity. Factors considered in the determination of projected return rates and loss severity include historical and market information on used vehicle sales, trends in lease returns and new car markets, and general economic conditions. Management evaluates the foregoing factors,

develops several potential loss scenarios, and reviews allowance levels to determine whether reserves are considered adequate to cover the probable range of losses.

The allowance for residual value losses is maintained in amounts considered by Toyota to be appropriate in relation to the estimated losses on its owned portfolio. Upon disposal of the assets, the allowance for residual losses is adjusted for the difference between the net book value and the proceeds from sale.

Inventories—
Inventories are valued at cost, not in excess of market, cost being determined on the "average-cost" basis, except for the cost of finished products carried by certain subsidiary companies which is determined on the "specific identification" basis or "last-in, first-out" ("LIFO") basis. Inventories valued on the LIFO basis totaled ¥190,642 million and ¥233,440 million ($2,174 million) at March 31, 2004 and 2005, respectively. Had the "first-in, first-out" basis been used for those companies using the LIFO basis, inventories would have been ¥21,463 million and ¥31,894 million ($297 million) higher than reported at March 31, 2004 and 2005, respectively.

Property, plant and equipment—
Property, plant and equipment are stated at cost. Major renewals and improvements are capitalized; minor replacements, maintenance and repairs are charged to current operations. Depreciation of property, plant and equipment is mainly computed on the declining-balance method for the parent company and Japanese subsidiaries and on the straight-line method for foreign subsidiary companies at rates based on estimated useful lives of the respective assets according to general class, type of construction and use. The estimated useful lives range from 3 to 60 years for buildings and from 2 to 20 years for machinery and equipment.

Vehicles and equipment on operating leases to third parties are originated by dealers and acquired by certain consolidated subsidiaries. Such subsidiaries are also the lessors of certain property that they acquire directly. Vehicles and equipment on operating leases are depreciated primarily on a straight-line method over the lease term, generally three years, to the estimated residual value.

Long-lived assets—
Toyota reviews its long-lived assets, including investments in affiliated companies, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. The amount of the impairment loss to be recorded is calculated by the excess of the carrying value of the asset over its fair value. Fair value is determined mainly using a discounted cash flow valuation method.

Goodwill and intangible assets—
Goodwill is not material to Toyota's consolidated balance sheets.

Intangible assets consist mainly of software. Intangible assets with a definite life are amortized on a straight-line basis with estimated useful lives mainly of 5 years. Intangible assets with an indefinite life are tested for impairment whenever events or circumstances indicate that a carrying amount of an asset (asset group) may not be recoverable. An impairment loss would be recognized when the carrying amount of an asset exceeds the estimated undiscounted cash flows used in determining the fair value of the asset. The amount of the impairment loss to be recorded is generally determined by the difference between the fair value of the asset using a discounted cash flow valuation method and the current book value.

Employee benefit obligations—
Toyota has both defined benefit and defined contribution plans for employees' retirement benefits. Retirement benefit obligations are measured by actuarial calculations in accordance with a Statement of Financial Accounting Standard ("FAS") No. 87 *Employers' accounting for pensions* ("FAS 87"), "Accrued pension and severance costs" are determined by amounts of obligations, plan assets, unrecognized prior service costs and unrecognized actuarial gains/losses. A minimum pension liability is recorded for plans where the accumulated benefit obligation net of plan assets exceeds the accrued pension and severance costs.

Environmental matters—
Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to existing conditions caused by past operations, which do not contribute to current or future revenues, are expensed. Liabilities for remediation costs are recorded when they are probable and reasonably estimable, generally no later than the completion of feasibility studies or Toyota's commitment to a plan of action. The cost of each environmental liability is estimated by using current technology available and various engineering, financial and legal specialists within Toyota based on current law. Such liabilities do not reflect any offset for possible recoveries from insurance companies and are not discounted. There were no material changes in these liabilities for all periods presented.

Income taxes—
The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities 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.

Derivative financial instruments—
Toyota employs derivative financial instruments, including forward foreign currency exchange contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. Toyota does not use derivatives for speculation or trading purposes. Changes in the fair value of derivatives are recorded each period in current earnings or through other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and the type of hedge transaction. The ineffective portion of all hedges is recognized currently in operations.

Net income per share—
Basic net income per common share is calculated by dividing net income by the weighted-average number of shares outstanding during the reported period. The calculation of diluted net income per common 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 the assumed exercise of dilutive stock options.

Stock-based compensation—
Toyota measures compensation expense for its stock-based compensation plan using the intrinsic value method. Toyota accounts for the stock-based compensation plans under the recognition and measurement principles of the Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations. No stock-based compensation cost is reflected in net income, as all options granted under those plans had an exercise price higher than the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of FAS No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"), to stock-based employee compensation. See note 18 to the consolidated financial statements for weighted-average assumptions used in option pricing model.

		Yen in millions			U.S. dollars in millions
		For the years ended March 31,			For the year ended March 31,
		2003	2004	**2005**	**2005**
Net income					
As reported		¥750,942	¥1,162,098	**¥1,171,260**	**$10,907**
Deduct: Total stock-based compensation expenses determined under fair value based method for all awards, net of related tax effects		(1,406)	(1,292)	**(1,571)**	**(15)**
Pro forma		¥749,536	¥1,160,806	**¥1,169,689**	**$10,892**
Net income per share					
—Basic	As reported	¥211.32	¥342.90	**¥355.35**	**$3.31**
	Pro forma	210.92	342.51	**354.87**	**3.30**
—Diluted	As reported	¥211.32	¥342.86	**¥355.28**	**$3.31**
	Pro forma	210.92	342.48	**354.80**	**3.30**

Other comprehensive income—
Other comprehensive income refers to revenues, expenses, gains and losses that, under accounting principles generally accepted in the United States of America are included in comprehensive income, but are excluded from net income as these amounts are recorded directly as an adjustment to shareholders' equity. Toyota's other comprehensive income is primarily comprised of unrealized gains/losses on marketable securities designated as available-for-sale, foreign currency translation adjustments, gains/losses on certain derivative instruments and adjustments attributed to additional minimum pension liabilities associated with Toyota's defined benefit pension plans.

Accounting changes—
In September 2004, the Emerging Issues Task Force ("EITF") reached consensus on the disclosure provisions in its Issue No. 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* ("EITF 03-1") for investments accounted for under FAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* and FAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations.* See Note 6 for disclosures required by those provisions.

Recent pronouncements to be adopted in future periods—
In November 2004, the Financial Accounting Standards Board ("FASB") issued FAS No. 151, *Inventory Costs—an amendment of ARB No. 43, Chapter 4* ("FAS 151"). FAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Paragraph 5 of ARB 43, Chapter 4, previously stated that ". . . under some circumstances, items such as idle facility expense, excessive spoilage, double freight, and rehandling costs may be so abnormal as to require treatment as current period charges. . . .". FAS 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. FAS 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In December 2004, FASB issued FAS No. 123(R), *Share-Based Payment (revised 2004)* ("FAS 123(R)"). FAS 123(R) is a revision of FASB Statement No. 123, *Accounting for Stock-Based Compensation* ("FAS 123"), supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and its related implementation guidance. FAS 123(R) requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide service in exchange for the award. FAS 123(R) also requires a public entity to initially measure the cost of employee services received in exchange for an award of liability instruments based on its current fair value; the fair value of that award will be remeasured subsequently at each reporting date through the settlement date. Changes in fair value will be recognized as compensation cost over that period. Although Toyota is required to implement the standard as of the beginning of the first interim or annual period that begins after June 15, 2005 under Statement No. 123(R), the Securities and Exchange Commission has amended the compliance date and Toyota is required to adopt the Standard for the year ending March 31, 2007. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In December 2004, FASB issued FAS No. 153, *Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29* ("FAS 153"). The guidance in APB Opinion No. 29, *Accounting for Nonmonetary Transactions,* is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion; however, included certain exceptions to that principle. FAS 153 amends Opinion 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. FAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In March 2005, FASB issued the FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB Statement No. 143* ("FIN 47"). This Interpretation clarifies that the term conditional asset retirement obligation as used in FASB Statement No. 143, *Accounting for Asset Retirement Obligations,* refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. FIN 47 requires a company to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. Management does not expect this statement to have a material impact on Toyota's consolidated financial statements.

In May 2005, FASB issued FAS No. 154, *Accounting Changes and Error Corrections—a replacement of APB No. 20 and FAS No. 3* ("FAS 154"). FAS 154 replaces APB Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statements,* and changes the requirements for the accounting for and reporting of a change in accounting principle.

FAS 154 applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement when the pronouncement does not include specific transition provisions. APB Opinion 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. FAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle. FAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The impact of applying FAS 154 will depend on the change, if any, that Toyota may identify and record in future periods.

Reclassifications—
Certain prior year amounts have been reclassified to conform to the presentations for the year ended March 31, 2005.

3. U.S. DOLLAR AMOUNTS

U.S. dollar amounts presented in the consolidated financial statements and related notes are included solely for the convenience of the reader and are unaudited. These translations should not be construed as representations that the yen amounts actually represent, or have been or could be converted into, U.S. dollars. For this purpose, the rate of ¥107.39 = U.S. $1, the approximate current exchange rate at March 31, 2005, was used for the translation of the accompanying consolidated financial amounts of Toyota as of and for the year ended March 31, 2005.

4. SUPPLEMENTAL CASH FLOW INFORMATION

Cash payments for income taxes were ¥584,969 million, ¥627,483 million and ¥694,985 million ($6,472 million) for the years ended March 31, 2003, 2004 and 2005, respectively. Interest payments during the years ended March 31, 2003, 2004 and 2005 were ¥216,888 million, ¥203,257 million and ¥226,615 million ($2,110 million), respectively.

Capital lease obligations of ¥13,461 million, ¥4,826 million and ¥3,571 million ($33 million) were incurred for the years ended March 31, 2003, 2004 and 2005, respectively.

For the year ended March 31, 2005, Toyota decided to change its presentation of cash flows attributed to a certain portion of finance receivables in the consolidated statements of cash flows. Certain prior-period amounts have been reclassified to conform to the current year presentation. The decision to change the classification was based on concerns raised by the staff of the Division of Corporation Finance of the Securities and Exchange Commission. Historically, Toyota had reported the origination and collection activities of its wholesale financing transactions as investing activities in the consolidated statements of cash flows. Consequently, when Toyota's products were sold to its dealers through the use of Toyota's wholesale financing program, investing cash outflows were reported on the basis that the Financial Services operations originated the wholesale finance receivables, while operating cash inflows were reported on the basis that the Automotive sales operations collected the trade receivables despite the fact that no cash received from a consolidated perspective related to the trade receivables as it was an intercompany transaction. The change in classification in the statements of cash flows for all periods presented reflects the fact that no cash was received by Toyota upon a sale to dealers and as a result, eliminates the effects of the intercompany transactions and reflects cash receipts from the sale of inventory as operating activities. In addition, the cash flows from finance receivables relating to the sale of Toyota product inventories, other than the above-described wholesale receivables, were also reclassified from investing activities to operating activities. Such cash flows include cash flows from sales-type lease receivables attributed to sales-type lease transactions involving inventories of Toyota products. The current presentation in the statements of cash flows reflects all cash flows relating to the sale of inventories as "Changes in accounts and notes receivable" in operating activities. Net cash outflows from finance receivables relating to the sale of inventories reported in operating activities in the consolidated statements of cash flows for the year ended March 31, 2005 was ¥55,951 million ($521 million).

The table below is a reconciliation of Toyota's current year presentation of cash flows attributed to finance receivables compared to the presentation of cash flows reported in prior years.

	Yen in millions	
	For the years ended March 31,	
	2003	2004
Net cash provided by operating activities		
—As previously reported	¥2,085,047	¥2,283,023
Amount reclassified from investing activities	(144,959)	(96,289)
—After reclassification	¥1,940,088	¥2,186,734
Net cash provided by investing activities		
—As previously reported	¥(2,146,407)	¥(2,312,784)
Amount reclassified to operating activities	144,959	96,289
—After reclassification	¥(2,001,448)	¥(2,216,495)

5. ACQUISITIONS AND DISPOSITIONS

During the year ended March 31, 2004, Toyota acquired additional ownerships in the following four contract manufacturers, Toyota Auto Body Corporation, Kanto Auto Works LTD, Central Motor CO., LTD, and P.T. Toyota Motor Manufacturing Indonesia. All of them are primarily engaged in manufacturing Toyota brand vehicles. Until the date of each acquisition, Toyota accounted for its investments in these contract manufacturers by the equity method because Toyota was considered to have significant influence of these companies. Subsequent to the date of each acquisition, Toyota's consolidated financial statements include the accounts of these contract manufacturers. The fair values of assets acquired and liabilities assumed at the dates of acquisition based on the allocation of the aggregate purchase price for these acquisitions are as follows:

	Yen in millions
	For the years ended March 31, 2004
Assets acquired	¥488,939
Liabilities assumed	(372,277)
Minority interest	(97,008)
Goodwill	9,557
Less—Cash acquired	(11,703)
Net cash paid	¥ 17,508

Pro forma information related to these acquisitions is not included because the impact of these acquisitions, either individually or in the aggregate, on Toyota's consolidated results of operations is not considered to be material.

During the years ended March 31, 2003, 2004 and 2005, Toyota made a number of other acquisitions, however assets acquired and liabilities assumed were not material.

6. MARKETABLE SECURITIES AND OTHER SECURITIES INVESTMENTS

Marketable securities and other securities investments include debt and equity securities for which the aggregate cost, gross unrealized gains and losses and fair value are as follows:

	Yen in millions			
	March 31, 2004			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	¥1,606,685	¥ 10,094	¥1,626	¥1,615,153
Equity securities	460,778	492,483	720	952,541
Total	¥2,067,463	¥502,577	¥2,346	¥2,567,694

Securities not practicable to determine fair value	
Debt securities	¥ 43,382
Equity securities	79,352
Total	¥122,734

	Yen in millions			
	March 31, 2005			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	**¥2,205,420**	**¥ 14,113**	**¥6,928**	**¥2,212,605**
Equity securities	**451,903**	**453,494**	**593**	**904,804**
Total	**¥2,657,323**	**¥467,607**	**¥7,521**	**¥3,117,409**

Securities not practicable to determine fair value	
Debt securities	**¥ 19,917**
Equity securities	**109,940**
Total	**¥129,857**

	U.S. dollars in millions			
	March 31, 2005			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	**$20,537**	**$ 131**	**$64**	**$20,604**
Equity securities	**4,208**	**4,223**	**6**	**8,425**
Total	**$24,745**	**$4,354**	**$70**	**$29,029**

Securities not practicable to determine fair value	
Debt securities	**$ 185**
Equity securities	**1,025**
Total	**$1,210**

Unrealized losses continuously over a 12 month period or more in the aggregate were not material at March 31, 2004 and 2005.

At March 31, 2004 and 2005, debt securities classified as available-for-sale mainly consist of Japanese government bonds and corporate debt securities with maturities from one to ten years.

Proceeds from sales of available-for-sale securities were ¥197,985 million, ¥183,808 million and ¥121,369 million ($1,130 million) for the years ended March 31, 2003, 2004 and 2005, respectively. On those sales, gross realized gains were ¥6,518 million, ¥8,780 million and ¥14,551 million ($135 million) and gross realized losses were ¥103 million, ¥139 million and ¥231 million ($2 million), respectively.

During the years ended March 31, 2003, 2004 and 2005, Toyota recognized impairment losses on available-for-sale securities of ¥111,346 million, ¥3,063 million, and ¥2,324 million ($22 million), respectively, which are included in “Other income (loss), net” in the accompanying consolidated statements of income.

In the ordinary course of business, Toyota maintains long-term investment securities, included in “Marketable securities and other securities investments” and issued by a number of non-public companies which are recorded at cost, as their fair values were not readily determinable. Management employs a systematic methodology to assess the recoverability of such investments by reviewing the financial viability of the underlying companies and the prevailing market conditions in which these companies operate to determine if Toyota’s investment in each individual company is impaired and whether the impairment is other-than-temporary. Toyota performs this impairment test semi-annually for significant investments recorded at cost. If the impairment is determined to be other-than-temporary, the cost of the investment is written-down by the impaired amount and the losses are recognized currently in operations.

7. FINANCE RECEIVABLES

Finance receivables consist of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Retail	¥3,643,998	**¥4,780,250**	**$44,513**
Finance leases	912,622	**758,632**	**7,064**
Wholesale and other dealer loans	1,680,907	**1,773,440**	**16,514**
	6,237,527	**7,312,322**	**68,091**
Unearned income	(298,153)	**(233,417)**	**(2,173)**
Allowance for credit losses	(87,462)	**(91,829)**	**(855)**
Total finance receivables, net	5,851,912	**6,987,076**	**65,063**
Less—Current portion	(2,622,939)	**(3,010,135)**	**(28,030)**
Noncurrent finance receivables, net	¥3,228,973	**¥3,976,941**	**$37,033**

As discussed in Note 4, from the year ended March 31, 2005, Toyota reclassified cash flows attributed to a certain portion of its finance receivables in the consolidated statements of cash flows. Included in finance receivables are receivables relating to the sale of inventories amounting to ¥595,532 million and ¥677,236 million ($6,306 million) as of March 31, 2004 and 2005, respectively. The allowance for credit losses attributed to these receivables is not significant.

The contractual maturities of retail receivables, the future minimum lease payments on finance leases and wholesale and other dealer loans at March 31, 2005 are summarized as follows:

	Yen in millions			U.S. dollars in millions		
Years ending March 31	Retail	Finance lease	Wholesale and other dealer loans	Retail	Finance lease	Wholesale and other dealer loans
2006	**¥1,422,669**	**¥204,611**	**¥1,477,817**	**$13,248**	**$1,905**	**$13,761**
2007	**1,230,247**	**131,518**	**71,824**	**11,456**	**1,225**	**669**
2008	**1,029,558**	**99,357**	**59,051**	**9,587**	**925**	**550**
2009	**705,674**	**38,024**	**87,415**	**6,571**	**354**	**814**
2010	**328,916**	**13,307**	**57,082**	**3,063**	**124**	**532**
Thereafter	**63,186**	**779**	**20,251**	**588**	**7**	**188**
	¥4,780,250	**¥487,596**	**¥1,773,440**	**$44,513**	**$4,540**	**$16,514**

Finance leases consist of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Minimum lease payments	¥617,890	**¥487,596**	**$4,540**
Estimated unguaranteed residual values	294,732	**271,036**	**2,524**
	912,622	**758,632**	**7,064**
Less—Unearned income	(104,736)	**(71,702)**	**(668)**
Less—Allowance for credit losses	(25,015)	**(6,502)**	**(60)**
Finance leases, net	¥782,871	**¥680,428**	**$6,336**

Toyota maintains a program to sell retail and lease finance receivables. Under the program, Toyota's securitization transactions are generally structured as qualifying SPEs ("QSPE"s), thus Toyota achieves sale accounting treatment under the provisions of FAS No. 140 *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("FAS 140"). Toyota recognizes a gain or loss on the sale of the finance receivables upon the transfer of the receivables to the securitization trusts structured as a QSPE. Toyota retains servicing rights and earns a contractual servicing fee of 1% per annum on the total monthly outstanding principal balance of the related securitized receivables. In a subordinated capacity, Toyota retains interest-only strips, subordinated securities, and cash reserve funds in these securitizations, and these retained interests are held as restricted assets subject to limited recourse provisions and provide credit enhancement to the senior securities in Toyota's securitization transactions. The retained interests are not available to satisfy any obligations of Toyota. Investors in the securitizations have no recourse to Toyota beyond Toyota's retained subordinated interests and any amounts drawn on the revolving liquidity notes. Toyota's exposure to these retained interests exists until the associated securities are paid in full. Investors do not have recourse to other assets held by Toyota for failure of obligors on the receivables to pay when due or otherwise.

The following table summarizes certain cash flows received from and paid to the securitization trusts for the years ended March 31, 2003, 2004 and 2005.

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Proceeds from new securitizations, net of purchased and retained securities	¥412,594	¥168,135	**¥48,958**	**$456**
Servicing fees received	6,868	6,860	**3,762**	**35**
Excess interest received from interest only strips	15,313	20,514	**9,140**	**85**
Repurchases of receivables	(11,466)	(33,614)	**(34,675)**	**(323)**
Servicing advances	(1,098)	(792)	**(215)**	**(2)**
Reimbursement of servicing and maturity advances	122	1,358	**860**	**8**

Toyota sold finance receivables under the program and recognized pretax gains resulting from these sales of ¥16,202 million, ¥5,608 million and ¥323 million ($3 million) for the years ended March 31, 2003, 2004 and 2005, respectively, after providing an allowance for estimated credit losses. The gain on sale recorded depends on the carrying amount of the assets at the time of the sale. The carrying amount is allocated between the assets sold and the retained interests based on their relative fair values at the date of the sale. The key economic assumptions initially and subsequently measuring the fair value of retained interests include the market interest rate environment, severity and rate of credit losses, and the prepayment speed of the receivables. All key economic assumptions used in the valuation of the retained interests are reviewed periodically and are revised as considered necessary.

At March 31, 2004 and 2005, Toyota's retained interests relating to these securitizations include interest in trusts, interest-only strips, and other receivables, amounting to ¥50,625 million and ¥18,896 million ($176 million), respectively.

Toyota recorded impairments on retained interests totaling ¥2,440 million for the year ended March 31, 2003. These impairments were calculated by discounting cash flows using management's estimates and other key economic assumptions. No impairment losses on retained interests were recorded for the years ended March 31, 2004 and 2005.

Key economic assumptions used in measuring the fair value of retained interests at the sale date of securitization transactions completed during the years ended March 31, 2003, 2004 and 2005 were as follows:

	For the years ended March, 31		
	2003	2004	**2005**
Prepayment speed related to securitizations	1.0%–1.5%	1.0%–1.5%	**0.7%–1.1%**
Weighted-average life (in years)	1.45–1.85	1.70–1.85	**1.85**
Expected annual credit losses	0.50%–0.80%	0.50%–0.80%	**0.30%**
Discount rate used on the subordinated securities	5.0%	5.0%	**—**
Discount rate used on other retained interests	8.0%–15.0%	8.0%–15.0%	**15.0%**

Expected cumulative static pool losses over the life of the securitizations are calculated by taking actual life to date losses plus projected losses and dividing the sum by the original balance of each pool of assets. Expected cumulative static pool credit losses for the retail loans securitized for the years ended March 31, 2003, 2004 and 2005 were 0.54%, 0.50%, and 0.47%, respectively.

The key economic assumptions and the sensitivity of the current fair value of the retained interest to an immediate 10 and 20 percent adverse change in those economic assumptions are presented below.

	Yen in millions	U.S. dollars in millions
	March 31,	March 31,
	2005	**2005**
Prepayment speed assumption (annual rate)	**0.7%–1.7%**	
Impact on fair value of 10% adverse change	**¥ (861)**	**$ (8)**
Impact on fair value of 20% adverse change	**(1,725)**	**(16)**
Residual cash flows discount rate (annual rate)	**5.0%–15.0%**	
Impact on fair value of 10% adverse change	**¥ (258)**	**$ (2)**
Impact on fair value of 20% adverse change	**(617)**	**(6)**
Expected credit losses (annual rate)	**0.50%–1.04%**	
Impact on fair value of 10% adverse change	**¥(352)**	**$(3)**
Impact on fair value of 20% adverse change	**(705)**	**(7)**

These hypothetical scenarios do not reflect expected market conditions and should not be used as a prediction of future performance. As the figures indicate, changes in the fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. Actual changes in one factor may result in changes in another, which might magnify or counteract the sensitivities. Actual cash flows may differ from the above analysis.

Outstanding receivable balances and delinquency amounts for managed retail and lease receivables, which include both owned and securitized receivables, as of March 31, 2004 and 2005 are as follows:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Principal amount outstanding	¥4,819,938	**¥5,585,672**	**$52,013**
Delinquent amounts over 60 days or more	19,379	**23,396**	**218**
Comprised of:			
Receivables owned	¥4,328,906	**¥5,305,464**	**$49,404**
Receivables securitized	491,032	**280,208**	**2,609**

Credit losses, net of recoveries attributed to managed retail and lease receivables for the years ended March 31, 2004 and 2005 totaled ¥48,011 million and ¥34,455 million ($321 million), respectively.

8. OTHER RECEIVABLES

Other receivables relate to arrangements with certain component manufacturers whereby Toyota procures inventory for these component manufacturers and is reimbursed for the related purchases.

9. INVENTORIES

Inventories consist of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Finished goods	¥ 717,201	**¥ 890,118**	**$ 8,289**
Raw materials	155,162	**189,675**	**1,766**
Work in process	165,597	**179,943**	**1,676**
Supplies and other	45,366	**46,973**	**437**
	¥1,083,326	**¥1,306,709**	**$12,168**

10. VEHICLES AND EQUIPMENT ON OPERATING LEASES

Vehicles and equipment on operating leases consist of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Vehicles	¥1,387,404	**¥1,736,238**	**$16,168**
Equipment	106,376	**92,459**	**861**
	1,493,780	**1,828,697**	**17,029**
Less—Accumulated depreciation	(375,861)	**(424,609)**	**(3,954)**
Vehicles and equipment on operating leases, net	¥1,117,919	**¥1,404,088**	**$13,075**

Rental income from vehicles and equipment on operating leases was ¥293,366 million, ¥267,252 million and ¥291,205 million ($2,712 million) for the years ended March 31, 2003, 2004 and 2005, respectively. Future minimum rentals from vehicles and equipment on operating leases are due in installments as follows:

Years ending March 31,	Yen in millions	U.S. dollars in millions
2006	¥304,672	$2,837
2007	214,761	2,000
2008	128,713	1,198
2009	51,124	476
2010	14,718	137
Thereafter	11,123	104
Total minimum future rentals	¥725,111	$6,752

The future minimum rentals as shown above should not be considered indicative of future cash collections.

11. ALLOWANCE FOR DOUBTFUL ACCOUNTS AND CREDIT LOSSES

An analysis of activity within the allowance for doubtful accounts relating to trade accounts and notes receivable for the years ended March 31, 2003, 2004 and 2005 is as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Allowance for doubtful accounts at beginning of year	¥59,864	¥53,172	**¥61,121**	**$569**
Provision for doubtful accounts	5,953	16,540	**15,752**	**147**
Write-offs	(6,035)	(2,598)	**(12,855)**	**(120)**
Other	(6,610)	(5,993)	**(8,267)**	**(77)**
Allowance for doubtful accounts at end of year	¥53,172	¥61,121	**¥55,751**	**$519**

The other amount includes the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest and currency translation adjustments for the years ended March 31, 2003, 2004 and 2005.

A portion of the allowance for doubtful accounts balance at March 31, 2004 and 2005 totaling ¥32,155 million and ¥37,095 million ($345 million), respectively, is attributed to certain non-current receivable balances which are reported as other assets in the consolidated balance sheets.

An analysis of the allowance for credit losses relating to finance receivables and vehicles and equipment on operating leases for the years ended March 31, 2003, 2004 and 2005 is as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Allowance for credit losses at beginning of year	¥ 63,053	¥116,888	**¥ 87,462**	**$ 815**
Provision for credit losses	93,884	66,598	**47,402**	**441**
Charge-offs, net of recoveries	(51,914)	(92,835)	**(44,587)**	**(415)**
Other	11,865	(3,189)	**1,552**	**14**
Allowance for credit losses at end of year	¥116,888	¥ 87,462	**¥ 91,829**	**$ 855**

The other amount primarily includes the impact of currency translation adjustments for the years ended March 31, 2003, 2004 and 2005.

12. AFFILIATED COMPANIES AND VARIABLE INTEREST ENTITIES

Investments in and transactions with affiliated companies —
Summarized financial information for affiliated companies accounted for by the equity method is shown below:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Current assets	¥ 4,632,926	**¥ 5,282,960**	**$ 49,194**
Noncurrent assets	7,128,587	**8,017,220**	**74,655**
Total assets	¥11,761,513	**¥13,300,180**	**$123,849**
Current liabilities	¥ 3,407,702	**¥ 3,982,816**	**$ 37,087**
Long-term liabilities	3,823,124	**4,167,042**	**38,803**
Shareholders' equity	4,530,687	**5,150,322**	**47,959**
Total liabilities and shareholders' equity	¥11,761,513	**¥13,300,180**	**$123,849**
Toyota's share of shareholders' equity	¥ 1,358,079	**¥ 1,556,236**	**$ 14,491**
Number of affiliated companies accounted for by the equity method at end of period	53	**56**	

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Net revenues	¥13,661,769	¥13,187,869	**¥15,359,634**	**$143,027**
Gross profit	¥ 1,654,250	¥ 1,650,233	**¥ 1,900,344**	**$ 17,696**
Net income	¥ 187,330	¥ 403,213	**¥ 420,640**	**$ 3,917**

Entities comprising a significant portion of Toyota's investment in affiliated companies include Denso Corporation; Aioi Insurance Co., Ltd.; Toyota Industries Corporation; Toyota Tsusho Corporation; and Aisin Seiki Co., Ltd.

Certain affiliated companies accounted for by the equity method with carrying amounts of ¥1,024,084 million and ¥1,235,535 million ($11,505 million) at March 31, 2004 and 2005, respectively, were quoted on various established markets at an aggregate value of ¥1,383,398 million and ¥1,827,725 million ($17,020 million), respectively.

Account balances and transactions with affiliated companies are presented below:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Trade accounts and notes receivable, and other receivables	¥129,036	**¥179,519**	**$1,672**
Accounts payable and other payables	460,730	**463,870**	**4,319**

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Net revenues	¥ 921,636	¥ 883,112	**¥1,150,523**	**$10,714**
Purchases	3,725,315	2,577,696	**2,923,325**	**27,222**

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2003, 2004 and 2005 were ¥18,270 million, ¥15,722 million and ¥22,164 million ($206 million), respectively.

Toyota has convertible debt securities issued by affiliated companies accounted for by the equity method, which were included in "Investments and other assets—Affiliated companies" in the consolidated balance sheets at fair value. Fair value of those securities as of March 31, 2004 and 2005 were ¥8,005 million and ¥11,124 million ($104 million), respectively. Maturities of these convertible debt securities are in one year.

Variable interest entities—

Toyota enters into securitization transactions with certain special-purpose entities. However, substantially all securitization transactions are with entities that are qualifying special-purpose entities under FAS 140 and thus no material variable interest entities ("VIEs") relating to these securitization transactions.

Certain joint ventures in which Toyota has invested are VIEs for which Toyota is not the primary beneficiary. However, neither the aggregate size of these joint ventures nor Toyota's involvements in these entities are material to Toyota's consolidated financial statements.

13. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2004 and 2005 consist of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Loans, principally from banks, with a weighted-average interest at March 31, 2004 and March 31, 2005 of 1.29% and 1.58% per annum, respectively	¥ 806,508	**¥ 789,801**	**$ 7,354**
Commercial paper with a weighted-average interest at March 31, 2004 and March 31, 2005 of 1.47% and of 2.81% per annum, respectively	1,382,516	**1,592,026**	**14,825**
	¥2,189,024	**¥2,381,827**	**$22,179**

At March 31, 2005, Toyota has unused short-term lines of credit amounting to ¥1,617,351 million ($15,061 million) of which ¥619,387 million ($5,768 million) related to commercial paper programs. Under these programs, Toyota is authorized to obtain short-term financing at prevailing interest rates for periods not in excess of 360 days.

Long-term debt at March 31, 2004 and 2005 comprises the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Unsecured loans, representing obligations principally to banks, due 2004 to 2025 in 2004 and due 2005 to 2025 in 2005 with interest ranging from 0.05% to 16.00% per annum in 2004 and from 0.05% to 27.00% per annum in 2005	¥ 669,751	**¥ 894,212**	**$ 8,327**
Secured loans, representing obligations principally to banks, due 2004 to 2019 in 2004 and due 2005 to 2019 in 2005 with interest ranging from 0.35% to 5.04% per annum in 2004 and from 0.35% to 5.60% per annum in 2005	29,307	**24,320**	**226**
Medium-term notes of consolidated subsidiaries, due 2004 to 2019 in 2004 and due 2005 to 2035 in 2005 with interest ranging from 0.05% to 7.59% per annum in 2004 and from 0.01% to 7.59% per annum in 2005	3,027,920	**3,447,104**	**32,099**
Unsecured notes of parent company, due 2008 to 2018 in 2004 and due 2008 to 2018 in 2005 with interest ranging from 1.33% to 3.00% per annum in 2004 and from 1.33% to 3.00% per annum in 2005	500,000	**500,000**	**4,656**
Unsecured notes of consolidated subsidiaries, due 2004 to 2031 in 2004 and due 2005 to 2031 in 2005 with interest ranging from 0.27% to 7.00% per annum in 2004 and from 0.27% to 7.00% per annum in 2005	1,044,875	**1,228,929**	**11,443**
Notes payable related to securitized finance receivables structured as collateralized borrowings	23,903	**—**	**—**
Long-term capital lease obligations, due 2004 to 2017 in 2004 and due 2005 to 2017 in 2005, with interest ranging from 0.37% to 9.33% per annum in 2004 and from 0.37% to 9.33% per annum in 2005	76,705	**71,280**	**664**
	5,372,461	**6,165,845**	**57,415**
Less–Current portion due within one year	(1,125,195)	**(1,150,920)**	**(10,717)**
	¥ 4,247,266	**¥ 5,014,925**	**$ 46,698**

At March 31, 2005, property, plant and equipment with a book value of ¥112,885 million ($1,051 million) was pledged as collateral by consolidated subsidiaries for certain debt obligations. In addition, other assets aggregating ¥44,553 million ($415 million) was pledged as collateral by consolidated subsidiaries for certain debt obligations. At March 31, 2005, approximately 38%, 27%, 17% and 18% of long-term debt is denominated in U.S. dollars, Japanese yen, euros, and other currencies, respectively.

The aggregate amounts of annual maturities of long-term debt during the next five years are as follows:

Years ending March 31,	Yen in millions	U.S. dollars in millions
2006	¥1,150,920	$10,717
2007	1,251,073	11,650
2008	1,260,228	11,735
2009	927,560	8,637
2010	628,884	5,856

Standard agreements with certain banks in Japan include provisions that collateral (including sums on deposit with such banks) or guarantees will be furnished upon the banks' request and that any collateral furnished, pursuant to such agreements or otherwise, will be applicable to all present or future indebtedness to such banks. During the year ended March 31, 2005, Toyota has not received any significant such requests from these banks.

At March 31, 2005, Toyota has unused long-term lines of credit amounting to ¥3,677,859 million ($34,248 million).

14. PRODUCT WARRANTIES

Toyota provides product warranties for certain defects mainly resulting from manufacturing based on warranty contracts with its customers at the time of sale of products. Toyota accrues estimated warranty costs to be incurred in the future in accordance with the warranty contracts. The net change in the accrual for the product warranties for the years ended March 31, 2003, 2004 and 2005, which is included in "Accrued expenses" in the accompanying consolidated balance sheets, consist of the following:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Liabilities for product warranties at beginning of year	¥225,654	¥240,634	**¥269,140**	**$2,506**
Payments made during year	(179,650)	(193,979)	**(209,166)**	**(1,948)**
Provision for warranties	200,484	229,578	**239,117**	**2,227**
Changes relating to pre-existing warranties	(1,670)	(1,910)	**(3,654)**	**(34)**
Other	(4,184)	(5,183)	**1,725**	**16**
Liabilities for product warranties at end of year	¥240,634	¥269,140	**¥297,162**	**$2,767**

The other amount primarily includes the impact of currency translation adjustments and the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest.

In addition to product warranties above, Toyota initiates recall actions or voluntary service campaigns to repair or to replace parts which might be expected to fail from products safety perspectives or customer satisfaction standpoints. Toyota accrues costs of these activities, which are not included in the reconciliation above, based on management's estimates.

15. OTHER PAYABLES

Other payables are mainly related to purchases of property, plant and equipment and non-manufacturing purchases.

16. INCOME TAXES

The components of income before income taxes comprise the following:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Income before income taxes:				
Parent company and domestic subsidiaries	¥ 803,594	¥1,104,719	**¥ 946,626**	**$ 8,815**
Foreign subsidiaries	423,058	661,074	**808,011**	**7,524**
	¥1,226,652	¥1,765,793	**¥1,754,637**	**$16,339**

The provision for income taxes consists of the following:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Current income tax expense:				
Parent company and domestic subsidiaries	¥497,613	¥404,672	**¥376,845**	**$3,509**
Foreign subsidiaries	93,674	155,804	**196,354**	**1,828**
Total current	591,287	560,476	**573,199**	**5,337**
Deferred income tax expense (benefit):				
Parent company and domestic subsidiaries	(102,276)	77,970	**34,820**	**324**
Foreign subsidiaries	28,003	42,858	**49,891**	**465**
Total deferred	(74,273)	120,828	**84,711**	**789**
Total provision	¥517,014	¥681,304	**¥657,910**	**$6,126**

Toyota is subject to a number of different income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 41.3% in the years ended March 31, 2003 and 2004. Due to changes in Japanese income tax regulations, effective April 1, 2004, the statutory rate was reduced to approximately 40.2%, and such rate was also used to calculate the future expected tax effects of temporary differences, which are expected to be realized on and after April 1, 2005. Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	For the years ended March, 31		
	2003	2004	**2005**
Statutory tax rate	41.3%	41.3%	**40.2%**
Increase (reduction) in taxes resulting from:			
Non-deductible expenses	0.7	0.5	**0.3**
Tax on equity earnings in affiliated companies	1.6	1.7	**1.8**
Valuation allowance	1.3	(0.9)	**(0.1)**
Tax credits	(1.9)	(3.5)	**(3.4)**
Changes in tax rate resulting from enactment of income tax regulations	0.6	0.6	**—**
Other	(1.5)	(1.1)	**(1.3)**
Effective income tax rate	42.1%	38.6%	**37.5%**

Significant components of deferred tax assets and liabilities are as follows:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Deferred tax assets			
Accrued pension and severance costs	¥ 204,002	**¥ 172,811**	**$ 1,609**
Warranty reserves and accrued expenses	162,783	**160,565**	**1,495**
Other accrued employees' compensation	115,416	**111,555**	**1,039**
Operating loss carryforwards for tax purposes	84,829	**50,566**	**471**
Inventory adjustments	43,392	**53,093**	**494**
Property, plant and equipment and other assets	109,623	**131,467**	**1,224**
Other	267,745	**294,828**	**2,746**
Gross deferred tax assets	987,790	**974,885**	**9,078**
Less—Valuation allowance	(104,083)	**(102,737)**	**(957)**
Total deferred tax assets	883,707	**872,148**	**8,121**
Deferred tax liabilities			
Unrealized gains on securities	(273,591)	**(255,028)**	**(2,375)**
Undistributed earnings of affiliates accounted for by the equity method	(360,310)	**(365,981)**	**(3,408)**
Basis difference of acquired assets	(33,670)	**(33,313)**	**(310)**
Lease transactions	(287,410)	**(321,055)**	**(2,990)**
Gain on securities contribution to employee retirement benefit trust	(66,523)	**(66,523)**	**(619)**
Other	(43,526)	**(65,681)**	**(611)**
Gross deferred tax liabilities	(1,065,030)	**(1,107,581)**	**(10,313)**
Net deferred tax liability	¥ (181,323)	**¥ (235,433)**	**$ (2,192)**

The valuation allowance mainly relates to deferred tax assets of the consolidated subsidiaries with operating loss carryforwards for tax purposes that are not expected to be realized. The net changes in the total valuation allowance for deferred tax assets for the years ended March 31, 2003, 2004 and 2005 consist of the following:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Valuation allowance at beginning of year	¥103,211	¥119,620	**¥104,083**	**$ 969**
Additions	29,530	17,738	**21,249**	**198**
Deductions	(12,989)	(31,934)	**(22,829)**	**(213)**
Other	(132)	(1,341)	**234**	**3**
Valuation allowance at end of year	¥119,620	¥104,083	**¥102,737**	**$ 957**

The other amount includes the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest, changes in the statutory tax rates and currency translation adjustments during the years ended March 31, 2003, 2004 and 2005.

During the years ended March 31, 2004 and 2005, certain subsidiaries reported favorable results resulting in reduction or reversal of certain previously provided valuation allowances.

The deferred tax assets and liabilities that comprise the net deferred tax liability are included in the consolidated balance sheets as follows:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Deferred tax assets			
Deferred income taxes (Current assets)	¥ 457,161	**¥ 475,764**	**$ 4,430**
Investments and other assets - other	145,695	**108,513**	**1,010**
Deferred tax liabilities			
Other current liabilities	(5,618)	**(8,040)**	**(74)**
Deferred income taxes (Long-term liabilities)	(778,561)	**(811,670)**	**(7,558)**
Net deferred tax liability	¥(181,323)	**¥(235,433)**	**$(2,192)**

Management intends to reinvest certain undistributed earnings of their foreign subsidiaries for an indefinite period of time. As a result, no provision for income taxes has been made on undistributed earnings of these subsidiaries not expected to be remitted in the foreseeable future aggregating ¥1,776,398 million ($16,542 million) as of March 31, 2005. Toyota estimates an additional tax provision of ¥113,951 million ($1,061 million) would be required if the full amount of these accumulated earnings became subject to Japanese taxes.

Operating loss carryforwards for tax purposes attributed to consolidated subsidiaries at March 31, 2005 were approximately ¥141,534 million ($1,318 million) and are available as an offset against future taxable income of such subsidiaries. The majority of these carryforwards expire in years 2006 to 2012.

17. SHAREHOLDERS' EQUITY

Changes in the number of shares of common stock issued have resulted from the following:

	For the years ended March, 31,		
	2003	2004	**2005**
Common stock issued			
Balance at beginning of year	3,649,997,492	3,609,997,492	**3,609,997,492**
Issuance during the year	—	—	**—**
Purchase and retirement	(40,000,000)	—	**—**
Balance at end of year	3,609,997,492	3,609,997,492	**3,609,997,492**

The Japanese Commercial Code provides that an amount equal to at least 10% of cash dividends and other distributions from retained earnings paid by the parent company and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriation is required when total amount of the legal reserve and capital surplus reaches 25% of stated capital. The legal reserve included in retained earnings as of March 31, 2004 and 2005 was ¥133,432 million and ¥141,064 million ($1,314 million), respectively. The legal reserve is restricted and unable to be used for dividend payments, and is excluded from the calculation of the profit available for dividend.

The amounts of statutory retained earnings of the parent company available for dividend payments to shareholders were ¥4,765,477 million and ¥4,864,555 million ($45,298 million) as of March 31, 2004 and 2005, respectively. In accordance with customary practice in Japan, the appropriations are not accrued in the financial statements for the corresponding period, but are recorded in the subsequent accounting period after shareholders' approval has been obtained. Retained earnings at March 31, 2005 include amounts representing year-end cash dividends of ¥130,723 million ($1,217 million), ¥40 ($0.37) per share, which were approved at the shareholders' meeting held on June 23, 2005.

Retained earnings at March 31, 2005 include ¥919,685 million ($8,564 million) relating to equity in undistributed earnings of companies accounted for by the equity method.

In June 26, 1997, the shareholders of the parent company approved a stock repurchase policy at the Ordinary General Shareholders' Meeting in accordance with the Japanese Commercial Code, which allows the company to purchase treasury stock only for the purpose of retirement of the stock with a resulting reduction in retained earnings. Under the stock repurchase policy, the shareholders authorized the parent company to repurchase up to 370 million shares of its common stock without the limitation of time, subject to the approval of the Board of Directors. In October 2001, the Japanese Commercial Code was changed to allow the company to purchase treasury stock without limitation of reason during the whole period until the next Ordinary General Shareholders' Meeting by the resolution of the Board of Directors up to the limitation of number of shares and aggregated acquisition costs approved at the Ordinary General Shareholders' Meeting. In response to the Japanese Commercial Code revision, on June 26, 2002, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company approved the amendment of the stock repurchase policy in the Articles of Incorporation to be deleted the limitation of the purpose of purchasing treasury stock noted above. As a result, Toyota's unused authorized shares for the repurchase of shares of common stock under the legacy policy elapsed. In the same Shareholders' Meeting, the shareholders of the parent company also approved the purchase as treasury stock of up to 170 million shares at a cost up to ¥600,000 million during the period until the next Ordinary General Shareholders' Meeting which was held on June 26, 2003. As a result, the parent company repurchased approximately 170 million shares during the year ended March 31, 2003. On June 26, 2003, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company again approved to purchase up to 150 million of its common stock at a cost up to ¥400,000 million during the period until the next Ordinary General Shareholders' Meeting which was held on June 23, 2004. According to this authorization, the parent company purchased approximately 113 million shares of its treasury stock during the approved period of time. On June 23, 2004, at the Ordinary Shareholders' Meeting, the shareholders of the parent company again approved to purchase up to 65 million of its common stock at a cost of up to ¥250,000 million during the period until the next Ordinary General Shareholders' Meeting which was held on June 23, 2005, and, in response to the Japanese Commercial Code revision, also approved to change the Articles of Incorporation to authorize the Board of Directors to repurchase treasury stock on the basis of its resolution. During this approved period of time, the parent company purchased 59 million of shares. In addition, on June 23, 2005, the shareholders of the parent company approved to purchase up to 65 million of its common stock at a cost of up to ¥250,000 million during the period until the resolution of next Ordinary General Shareholders' Meeting. These approvals by the shareholders on and after the resolution in the Ordinary General Shareholders' Meeting on June 23, 2004 are not required under the current regulation.

In years prior to 1997, Toyota had made free distributions of shares to its shareholders for which no accounting entry is required in Japan. Had the distributions been accounted for in a manner used by companies in the United States of America, ¥2,576,606 million ($23,993 million) would have been transferred from retained earnings to the appropriate capital accounts.

Detailed components of accumulated other comprehensive loss at March 31, 2004 and 2005 and the related changes, net of taxes for the years ended March 31, 2003, 2004 and 2005 consist of the following:

	Yen in millions				
	Foreign currency translation adjustments	Unrealized gains (losses) on securities	Minimum pension liability adjustments	Net gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balances at March 31, 2002	¥(172,488)	¥ 33,747	¥(127,773)	¥(790)	¥(267,304)
Other comprehensive income (loss)	(139,285)	(26,495)	(171,978)	790	(336,968)
Balances at March 31, 2003	(311,773)	7,252	(299,751)	—	(604,272)
Other comprehensive income (loss)	(203,257)	329,672	273,265	—	399,680
Balances at March 31, 2004	(515,030)	336,924	(26,486)	—	(204,592)
Other comprehensive income	75,697	38,455	9,780	—	123,932
Balances at March 31, 2005	**¥(439,333)**	**¥375,379**	**¥ (16,706)**	**¥ —**	**¥ (80,660)**

	U.S. dollars in millions				
	Foreign currency translation adjustments	Unrealized gains on securities	Minimum pension liability adjustments	Net gains (losses) on derivative instruments	Accumulated other comprehensive income (loss)
Balances at March 31, 2004	$(4,796)	$3,137	$(246)	$ —	$(1,905)
Other comprehensive income	705	358	91	—	1,154
Balances at March 31, 2005	**$(4,091)**	**$3,495**	**$(155)**	**$ —**	**$(751)**

Tax effects allocated to each component of other comprehensive income for the years ended March 31, 2003, 2004 and 2005 are as follows:

	Yen in millions		
	Pre-tax amount	Tax expense (benefit)	Net-of-tax amount
For the year ended March 31, 2003			
Foreign currency translation adjustments	¥(142,278)	¥ 2,993	¥(139,285)
Unrealized losses on securities:			
Unrealized net holding losses arising for the year	(143,806)	59,707	(84,099)
Less: reclassification adjustments for losses included in net income	98,100	(40,496)	57,604
Minimum pension liability adjustments	(292,315)	120,337	(171,978)
Net gains on derivative instruments	1,074	(284)	790
Other comprehensive loss	¥(479,225)	¥ 142,257	¥(336,968)
For the year ended March 31, 2004			
Foreign currency translation adjustments	¥(201,511)	¥ (1,746)	¥(203,257)
Unrealized gains on securities:			
Unrealized net holding gains arising for the year	554,496	(211,234)	343,262
Less: reclassification adjustments for gains included in net income	(21,953)	8,363	(13,590)
Minimum pension liability adjustments	450,549	(177,284)	273,265
Other comprehensive income	¥ 781,581	¥(381,901)	¥ 399,680
For the year ended March 31, 2005			
Foreign currency translation adjustments	**¥ 76,089**	**¥ (392)**	**¥ 75,697**
Unrealized gains on securities:			
Unrealized net holding gains arising for the year	**214,661**	**(86,294)**	**128,367**
Less: reclassification adjustments for gains included in net income	**(150,355)**	**60,443**	**(89,912)**
Minimum pension liability adjustments	**21,691**	**(11,911)**	**9,780**
Other comprehensive income	**¥ 162,086**	**¥ (38,154)**	**¥ 123,932**

	U.S. dollars in millions		
	Pre-tax amount	Tax expense (benefit)	Net-of-tax amount
For the year ended March 31, 2005			
Foreign currency translation adjustments	**$ 709**	**$ (4)**	**$ 705**
Unrealized gains on securities:			
Unrealized net holding gains arising for the year	**1,998**	**(803)**	**1,195**
Less: reclassification adjustments for gains included in net income	**(1,400)**	**563**	**(837)**
Minimum pension liability adjustments	**202**	**(111)**	**91**
Other comprehensive income	**$ 1,509**	**$ (355)**	**$1,154**

18. STOCK-BASED COMPENSATION

In June 1997, the parent company's shareholders approved a stock option plan for board members. In June 2001, the shareholders approved an amendment of the plan to include both board members and key employees. Each year, since the plans' inception, the shareholders have approved the authorization for the grant of options for the purchase of Toyota's common stock. Authorized shares for each year that remain ungranted are unavailable for grant in future years. Stock options with a term ranging from 4 years to 6 years are granted with an exercise price equal to 1.025 times the closing price of Toyota's common stock on the date of grant and generally vest 2 years from the date of grant.

Subsequent to March 31, 2005, the shareholders approved the authorization of an additional 2,104,000 shares for issuance under the Toyota's stock option plan for board members and key employees.

The following table summarizes Toyota's stock option activity:

		Yen	
	Number of options	Weighted-average excercise price	Weighted-average remaining contractual life in years
Options outstanding at March 31, 2002	2,398,200	¥4,237	2.62
Granted	1,876,000	2,958	
Exercised	—	—	
Canceled	(348,800)	3,895	
Options outstanding at March 31, 2003	3,925,400	3,656	3.53
Granted	1,958,000	3,116	
Exercised	—	—	
Canceled	(987,000)	3,849	
Options outstanding at March 31, 2004	4,896,400	3,401	3.83
Granted	2,021,000	4,541	
Exercised	(810,300)	2,995	
Canceled	(606,800)	4,105	
Options outstanding at March 31, 2005	**5,500,300**	**¥3,802**	**3.86**
Options exercisable at March 31, 2003	625,000	¥4,503	0.85
Options exercisable at March 31, 2004	1,371,400	¥4,319	1.15
Options exercisable at March 31, 2005	1,740,300	¥3,641	1.69

The following table summarizes information for options outstanding and options exercisable at March 31, 2005:

	Outstanding				Exercisable		
Exercise price range	Number of shares	Weighted-average exercise price	Weighted-average exercise price	Weighted-average remaining life	Number of shares	Weighted-average exercise price	Weighted-average exercise price
Yen		Yen	Dollars	Years		Yen	Dollars
¥2,958 – 4,000	2,538,900	¥3,067	$29	4.02	785,900	¥2,958	$28
4,001 – 4,541	2,961,400	4,432	41	3.72	954,400	4,203	39
2,958 – 4,541	5,500,300	3,802	35	3.86	1,740,300	3,641	34

The weighted-average fair value per option at the date of grant for options granted during the years ended March 31, 2003, 2004 and 2005 was ¥766, ¥769 and ¥1,139 ($11), respectively. The fair value of options granted, which is amortized over the option vesting period in determining the pro forma impact in Note 2, is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2003	2004	**2005**
Dividend rate	1.3%	1.5%	**1.5%**
Risk-free interest rate	0.7%	0.4%	**1.2%**
Expected volatility	34%	34%	**32%**
Expected holding period (years)	5.1	5.3	**5.3**

19. EMPLOYEE BENEFIT PLANS

Pension and severance plans—
Upon terminations of employments, employees of the parent company and subsidiaries in Japan are entitled, under the retirement plans of each company, to lump-sum indemnities or pension payments as described below, based on current rates of pay and lengths of service. Under normal circumstances, the minimum payment prior to retirement age is an amount based on voluntary retirement. Employees receive additional benefits on involuntary retirement, including retirement at the age limit.

Effective October 1, 2004, the parent company amended its retirement plan to introduce a "point" based retirement benefit plan. Under the new plan, upon terminations of employment, employees are entitled to lump-sum or pension payments determined based on accumulated "points" vested in each year of service. Under the new plan, there are three types of "points" that vest in each year of service consisting of "service period points" which are attributed to the length of service, "job title points" which are attributed to the job title of each employee, and "performance points" which are attributed to the annual performance evaluation of each employee. Under normal circumstances, the minimum payment prior to retirement age is an amount reflecting an adjustment rate applied to represent voluntary retirement. Employees receive additional benefits upon involuntary retirement, including retirement at the age limit. As a result of this plan amendment, the projected benefit obligation decreased by ¥32,208 million ($300 million), at October 1, 2004 and resulted in an unrecognized prior service cost, which is recognized in future service periods.

The parent company and most subsidiaries in Japan have contributory funded defined benefit pension plans, which are pursuant to the Japanese Welfare Pension Insurance Law ("JWPIL") or the Corporate Defined Benefit Pension Plan Law (CDBPPL). The contributory pension plans under JWPIL cover a portion of the governmental welfare pension program, under which the contributions are made by the companies and their employees, and a corporate portion representing the noncontributory pension plans. However, the contributory pension plans under the CDBPPL are established solely by the companies and are not required to cover any portion of the governmental welfare program. The pension benefits are determined based on the number of points upon retirement for companies which employ the point plan, or determined based on length of service and current rates of pay as stipulated in the aforementioned regulations for companies which do not employ a points-based plan. Both benefits are payable, at the option of the retiring employee, as a monthly pension payment or in a lump-sum amount. The contributions to the plans are funded with several financial institutions in accordance with the applicable laws and regulations. These pension plan assets consist principally of investments in government obligations, equity and fixed income securities, and insurance contracts. Most foreign subsidiaries have defined benefit pension plans or severance indemnity plans covering substantially all of their employees under which the cost of benefits are currently invested or accrued. The benefits for these plans are based primarily on lengths of service and current rates of pay.

Transfer to the government of the Substitutional Portion of the Employee Pension Fund Liabilities—
The parent company and certain subsidiaries in Japan had maintained employees' pension funds (EPFs) pursuant to the JWPIL. The EPF consisted of two tiers, a Substitutional Portion, in which the EPF, in lieu of the government's social insurance program, collected contributions, funded them and paid benefits to the employees with respect to the pay-related portion of the old-age pension benefits prescribed by JWPIL, and a Corporate Portion which was established at the discretion of each employer.

In June 2001, the CDBPPL was enacted and allowed any EPF to terminate its operation relating to the Subsititutional Portion that in the past an EPF had operated and managed in lieu of the government, subject to approval from the Japanese Minister of Health, Labour and Welfare. In September 2003, Toyota Motor Pension Fund, the parent company's EPF under JWPIL, obtained the approval from the Minister for the exemption from benefit payments related to employee services of the Subsititutional Portion. In January 2004, Toyota Motor Pension Fund completed the transfer of the plan assets attributable to the Subsititutional Portion to the government. In addition, during the years ended March 31, 2004 and 2005, certain subsidiaries and affiliates in Japan that had EPFs under JWPIL also completed the transfer of the plan assets attributable to the Subsititutional Portion to the government in compliance with the same procedures followed by the parent company. Certain other subsidiaries and affiliates in Japan that have EPFs under JWPIL are currently in process of obtaining the approval from the Minister for the exemption from the benefit payments related to employee service of the Subsititutional Portion and upon approval will transfer the plan assets equivalent to the Subsititutional Portion to the government.

In accordance with the consensus on EITF Issue No. 03-2, *Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities* ("EITF 03-2"), Toyota accounted the entire separation process, upon completion of transfer of the plan assets attributable to the Substitutional Portion to the government, as a single settlement transaction. During the years ended March 31, 2004 and 2005, Toyota recognized settlement losses of ¥323,715 million and ¥96,066 million ($894 million), respectively, as part of net periodic pension costs which are the proportionate amounts of the net unrecognized losses immediately prior to the separation related to the entire EPFs under JWPIL, and which are determined based on the proportion of the projected benefit obligation settled to the total projected benefit obligation immediately prior to the separation. Toyota also recognized as reductions of net periodic pension costs totaling ¥109,885 million and ¥21,722 million ($202 million) for the years ended March 31, 2004 and 2005, respectively, which resulted in gains attributed to the derecognition of previously accrued salary progression. In addition, Toyota recognized gains of ¥320,867 million and ¥121,553 million ($1,132 million) for the years ended March 31, 2004 and 2005, respectively, which represented the differences between the obligation settled and the assets transferred to the government. These gains and losses are reflected in the consolidated statement of income for the years ended March 31, 2004 and 2005 as follows:

	Yen in millions		
	For the year ended March 31, 2004		
	Costs of products sold	Selling, general and administrative	Total
Settlement losses	¥(288,177)	¥(35,538)	¥(323,715)
Gains on derecognition of previously accrued salary progression	98,079	11,806	109,885
Gains on difference between the obligation settled and the assets transferred	—	320,867	320,867
Total	¥(190,098)	¥297,135	¥107,037

	Yen in millions		
	For the year ended March 31, 2005		
	Costs of products sold	Selling, general and administrative	Total
Settlement losses	**¥(85,379)**	**¥(10,687)**	**¥(96,066)**
Gains on derecognition of previously accrued salary progression	**19,494**	**2,228**	**21,722**
Gains on difference between the obligation settled and the assets transferred	**—**	**121,553**	**121,553**
Total	**¥(65,885)**	**¥113,094**	**¥47,209**

	U.S. dollars in millions		
	For the year ended March 31, 2005		
	Costs of products sold	Selling, general and administrative	Total
Settlement losses	**$(794)**	**$(100)**	**$(894)**
Gains on derecognition of previously accrued salary progression	**181**	**21**	**202**
Gains on difference between the obligation settled and the assets transferred	**—**	**1,132**	**1,132**
Total	**$(613)**	**$1,053**	**$440**

All these gains and losses are non-cash gains and losses, and reported on a net basis in "Pension and severance costs, less payments" in the consolidated statements of cash flows for the years ended March 31, 2004 and 2005.

Toyota uses a March 31 measurement date for the majority of its benefit plans.

Information regarding Toyota's defined benefit plans follow:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Change in benefit obligation			
Benefit obligation at beginning of year	¥2,346,127	**¥1,891,051**	**$17,609**
Service cost	75,988	**60,715**	**565**
Interest cost	48,674	**37,790**	**352**
Plan participants' contributions	2,245	**1,078**	**10**
Plan amendments	(7,903)	**(47,535)**	**(443)**
Projected benefit obligation settled due to the separation of substitutional portion	(752,646)	**(304,184)**	**(2,832)**
Actuarial gain	(11,280)	**(80,370)**	**(748)**
Acquisition and other	265,969	**(32,816)**	**(306)**
Benefits paid	(76,123)	**(74,990)**	**(698)**
Benefit obligation at end of year	1,891,051	**1,450,739**	**13,509**
Change in plan assets			
Fair value of plan assets at beginning of year	932,166	**1,049,815**	**9,776**
Actual return on plan assets	171,600	**43,866**	**408**
Acquisition and other	128,031	**(10,304)**	**(96)**
Employer contributions	213,790	**86,128**	**802**
Plan participants' contributions	2,245	**1,078**	**10**
Assets transferred to the government due to the separation of substitutional portion	(321,894)	**(160,909)**	**(1,498)**
Benefits paid	(76,123)	**(74,990)**	**(698)**
Fair value of plan assets at end of year	1,049,815	**934,684**	**8,704**
Funded status	841,236	**516,055**	**4,805**
Unrecognized actuarial loss	(478,830)	**(256,628)**	**(2,389)**
Unrecognized prior service costs	129,965	**171,753**	**1,599**
Unrecognized net transition obligations	(27,572)	**(13,290)**	**(124)**
Net amount recognized	¥ 464,799	**¥ 417,890**	**$ 3,891**

In connection with the enactment of the CDBPPL and the transfer of the Substitutional Portion, the parent company performed its pension funding calculations for the Toyota Motor Pension Fund as required by the CDBPPL and contributed ¥115,294 million to plan assets in cash during the year ended March 31, 2004, equivalent to the unfunded "Corporate Portion" of the EPF.

Amounts recognized in the consolidated balance sheets are comprised of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Accrued pension and severance costs	¥725,569	¥646,989	$6,025
Prepaid pension and severance costs	(164,176)	(173,078)	(1,612)
Investments and other assets	(18,627)	(7,027)	(66)
Accumulated other comprehensive income	(77,967)	(48,994)	(456)
Net amount recognized	¥464,799	¥417,890	$3,891

The accumulated benefit obligation for all defined benefit pension plans was ¥1,688,666 million and ¥1,284,339 million ($11,959 million) at March 31, 2004 and 2005, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for which the accumulated benefit obligations exceed plan assets are as follows:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Projected benefit obligation	¥1,051,841	**¥512,571**	**$4,773**
Accumulated benefit obligation	954,158	**489,975**	**4,563**
Fair value of plan assets	349,217	**63,675**	**593**

Components of the net periodic pension cost are as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Service cost	¥ 71,873	¥ 75,988	**¥ 60,715**	**$ 565**
Interest cost	49,030	48,674	**37,790**	**352**
Expected return on plan assets	(23,003)	(24,991)	**(27,517)**	**(256)**
Amortization of prior service costs	(14,272)	(15,092)	**(16,599)**	**(155)**
Recognized net actuarial loss	22,977	45,653	**22,366**	**208**
Settlement loss resulting from the transfer of the substitutional portion	—	213,830	**74,344**	**692**
Amortization of net transition obligation	19,630	18,963	**9,981**	**93**
Net periodic pension cost	¥126,235	¥363,025	**¥161,080**	**$1,499**

Changes in recognized net actuarial loss for the years ended March 31, 2003, 2004, and 2005 were primarily due to changes in estimates made for actuarial assumptions, changes in differences between expected and actual returns on plan assets, and the decrease in net actuarial loss due to the transfers to the government of the Substitution Portion of the EPF liabilities.

For plans where the accumulated benefit obligation net of plan assets exceeds the accrued pension and severance costs, Toyota has recorded a minimum pension liability. The minimum pension liability amounts at March 31, 2004 and 2005 were ¥96,594 million and ¥56,021 million ($522 million), respectively. Changes in the minimum pension liability are reflected as adjustments in other comprehensive income (loss) for the years ended March 31, 2003, 2004 and 2005 as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Minimum pension liability adjustments, included in other comprehensive income (loss)	¥(171,978)	¥273,265	**¥9,780**	**$91**

Weighted-average assumptions used to determine benefit obligations as of March 31, 2004 and 2005 are as follows:

	March 31,	
	2004	**2005**
Discount rate	2.2%	**2.6%**
Rate of compensation increase	0.5–9.7%	**0.1–9.7%**

Weighted-average assumptions used to determine net periodic pension cost for the years ended March 31, 2003, 2004 and 2005 are as follows:

	For the years ended March 31,		
	2003	2004	**2005**
Discount rate	2.5%	2.1%	**2.2%**
Expected return on plan assets	2.7%	2.1%	**2.1%**
Rate of compensation increase	1.5–6.0%	0.8–9.7%	**0.5–9.7%**

The expected rate of return on plan assets is determined after considering several applicable factors including, the composition of plan assets held, assumed risks of asset management, historical results of the returns on plan assets, Toyota's principal policy for plan asset management, and forecasted market conditions.

Toyota's pension plan weighted-average asset allocations as of March 31, 2004 and 2005, by asset category are as follows:

	Plan assets at March 31,	
	2004	**2005**
Equity securities	49.4%	**64.0%**
Debt securities	16.9	**21.5**
Real estate	0.3	**0.5**
Other	33.4	**14.0**
Total	100.0%	**100.0%**

Toyota's policy and objective for plan asset management is to maximize returns on plan assets to meet future benefit payment requirements under risks which Toyota considers permissible. Asset allocations under the plan asset management are determined based on Toyota's plan asset management guidelines which are established to achieve the optimized asset compositions in terms of the long-term overall plan asset management. Prior to making individual investments, Toyota performs in-depth assessments of corresponding factors including risks, transaction costs and liquidity of each potential investment under consideration. To measure the performance of the plan asset management, Toyota establishes bench mark return rates for each individual investment, combines these individual bench mark rates based on the asset composition ratios within each asset category, and compares the combined rates with the corresponding actual return rates on each asset category.

Toyota expects to contribute ¥83,862 million ($781 million) to its pension plan in the year ending March 31, 2006.

The following pension benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ending March 31,	Yen in millions	U.S. dollars in millions
2006	¥72,184	$672
2007	78,137	728
2008	77,379	721
2009	79,998	745
2010	79,568	741
from 2011 to 2015	388,551	3,617
Total	775,817	7,224

Postretirement benefits other than pensions and postemployment benefits—
Toyota's U.S. subsidiaries provide certain health care and life insurance benefits to eligible retired employees. In addition, Toyota provides benefits to certain former or inactive employees after employment, but before retirement. These benefits are currently unfunded and provided through various insurance companies and health care providers. The costs of these benefits are recognized over the period the employee provides credited service to Toyota. Toyota's obligations under these arrangements are not material.

20. DERIVATIVE FINANCIAL INSTRUMENTS

Toyota employs derivative financial instruments, including foreign exchange forward contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements and interest rate options to manage its exposure to fluctuations in interest rates and foreign currency exchange rates. Toyota does not use derivatives for speculation or trading.

Fair value hedges—
Toyota enters into interest rate swaps, and interest rate currency swap agreements mainly to convert its fixed-rate debt to variable-rate debt. Toyota uses interest rate swap agreements in managing its exposure to interest rate fluctuations. Interest rate swap agreements are executed as either an integral part of specific debt transactions or on a portfolio basis. Toyota uses interest rate currency swap agreements to entirely hedge exposure to currency exchange rate fluctuations on principal and interest payments for borrowings denominated in foreign currencies. Notes and loans payable issued in foreign currencies are hedged by concurrently executing interest rate currency swap agreements, which involve the exchange of foreign currency principal and interest obligations for each functional currency obligations at agreed-upon currency exchange and interest rates.

For the years ended March 31, 2003, 2004 and 2005, the ineffective portion of Toyota's fair value hedge relationships which are included in cost of financing operations in the accompanying consolidated statements of income were not material. For fair value hedging relationships, the components of each derivative's gain or loss are included in the assessment of hedge effectiveness.

Cash flow hedges—
Toyota enters into interest rate swaps, and interest rate currency swap agreements to manage its exposure to interest rate risk, and foreign currency exchange risk mainly associated with funding in currencies in which it operates.

Interest rate swap agreements are used by Toyota to manage its exposure to the variability of interest payments due to the changes in interest rates arising principally from variable-rate debts issued by Toyota. Interest rate swap agreements, which are designated as, and qualify as cash flow hedges are executed as an integral part of specific debt transactions and the critical terms of the interest rate swaps and the hedged debt transactions are the same. Toyota uses interest rate currency swap agreements to manage the foreign-currency exposure to variability in functional-currency-equivalent cash flows principally from debts or borrowings denominated in currencies other than functional currencies.

Net derivative gains and losses included in other comprehensive income are reclassified into earnings at the time that the associated hedged transactions impact the income statement. For the year ended March 31, 2003, a net derivative loss of ¥790 million was reclassified to foreign exchange gain (loss), net in the accompanying consolidated statements of income. This net loss were offset by net gains from transactions being hedged. The components of each derivative's gain and loss were included in the assessment of hedge effectiveness, and no hedge ineffectiveness was reported because all critical terms of derivative financial instruments designated as, and qualify as, cash flow hedging instruments were same as those of hedged debt transactions. For the years ended March 31, 2004 and 2005, no gains or losses resulted from cash flow hedges were reported as no derivative instruments were designated as, and qualified as cash flow hedging instruments. Toyota does not expect to reclassify any gains or losses included in other comprehensive income as at March 31, 2005, into earnings in next twelve months because no derivative instruments were designated as, and qualified as, cash flow hedges.

Undesignated derivative financial instruments—
Toyota uses foreign exchange forward contracts, foreign currency options, interest rate swaps, interest rate currency swap agreements, and interest rate options, to manage its exposure to foreign currency exchange rate fluctuations and interest rate fluctuations from an economic perspective, and which Toyota is unable or has elected not to apply hedge accounting. Unrealized gains or losses on these derivative instruments are reported in the cost of financing operations and foreign exchange gain, net in the accompanying consolidated statements of income together with realized gains or losses on those derivative instruments.

21. OTHER FINANCIAL INSTRUMENTS

Toyota has certain financial instruments, including financial assets and liabilities and off-balance sheet financial instruments which arose in the normal course of business. These financial instruments are executed with creditworthy financial institutions, and virtually all foreign currency contracts are denominated in U.S. dollars, euros and other currencies of major industrialized countries. Financial instruments involve, to varying degrees, market risk as instruments are subject to price fluctuations, and elements of credit risk in the event a counterparty should default. In the unlikely event the counterparties fail to meet the contractual terms of a foreign currency or an interest rate instrument, Toyota's risk is limited to the fair value of the instrument. Although Toyota may be exposed to losses in the event of non-performance by counterparties on financial instruments, it does not anticipate significant losses due to the nature of its counterparties. Counterparties to Toyota's financial instruments represent, in general, international financial institutions. Additionally, Toyota does not have a significant exposure to any individual counterparty. Based on the creditworthiness of these financial institutions, collateral is generally not required of the counterparties or of Toyota. Toyota believes that the overall credit risk related to its financial instruments is not significant.

The estimated fair values of Toyota's financial instruments, excluding marketable securities and other securities investments and affiliated companies, are summarized as follows:

	Yen in millions	
	March 31, 2004	
	Carrying amount	Estimated fair value
Asset (Liability)		
Cash and cash equivalents	¥1,729,776	¥1,729,776
Time deposits	68,473	68,473
Total finance receivables, net	5,069,041	5,228,629
Other receivables	396,788	396,788
Short-term borrowings	(2,189,024)	(2,189,024)
Long-term debt including the current portion	(5,295,756)	(5,387,028)
Foreign exchange forward contracts	8,923	8,923
Interest rate and currency swap agreements	208,141	208,141
Option contracts purchased	8,841	8,841
Option contracts written	(1,725)	(1,725)

	Yen in millions		U.S. dollars in millions	
	March 31, 2005		March 31, 2005	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Asset (Liability)				
Cash and cash equivalents	**¥1,483,753**	**¥1,483,753**	**$13,816**	**$13,816**
Time deposits	**63,609**	**63,609**	**592**	**592**
Total finance receivables, net	**6,306,648**	**6,298,144**	**58,727**	**58,647**
Other receivables	**438,676**	**438,676**	**4,085**	**4,085**
Short-term borrowings	**(2,381,827)**	**(2,381,827)**	**(22,179)**	**(22,179)**
Long-term debt including the current portion	**(6,094,565)**	**(6,140,043)**	**(56,751)**	**(57,175)**
Foreign exchange forward contracts	**(10,176)**	**(10,176)**	**(95)**	**(95)**
Interest rate and currency swap agreements	**148,119**	**148,119**	**1,379**	**1,379**
Option contracts purchased	**2,282**	**2,282**	**21**	**21**
Option contracts written	**(4,042)**	**(4,042)**	**(38)**	**(38)**

Following are explanatory notes regarding the financial assets and liabilities other than derivative financial instruments.

Cash and cash equivalents, time deposits and other receivables—
In the normal course of business, substantially all cash and cash equivalents, time deposits and other receivables are highly liquid and are carried at amounts which approximate fair value.

Finance receivables, net—
The carrying value of variable rate finance receivables was assumed to approximate fair value as they were repriced at prevailing market rates at March 31, 2004 and 2005. The fair value of fixed rate finance receivables was estimated by discounting expected cash flows using the rates at which loans of similar credit quality and maturity would be made as of March 31, 2004 and 2005.

Short-term borrowings and long-term debt—
The fair values of short-term borrowings and total long-term debt including the current portion were estimated based on the discounted amounts of future cash flows using Toyota's current incremental borrowing rates for similar liabilities.

22. LEASE COMMITMENTS

Toyota leases certain assets under capital lease and operating lease arrangements.
An analysis of leased assets under capital leases is as follows:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Class of property			
Building	¥ 10,937	**¥ 11,762**	**$ 110**
Machinery and equipment	161,446	**162,938**	**1,517**
Less—Accumulated depreciation	(118,956)	**(128,578)**	**(1,198)**
	¥ 53,427	**¥ 46,122**	**$ 429**

Amortization expenses under capital leases for the years ended March 31, 2003, 2004 and 2005 were ¥14,501 million, ¥12,908 million and ¥12,725 million ($118 million), respectively.

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2005 are as follows:

Years ending March 31,	Yen in millions	U.S. dollars in millions
2006	¥17,982	$167
2007	16,202	151
2008	12,200	114
2009	6,192	58
2010	5,814	54
Thereafter	20,712	193
Total minimum lease payments	79,102	737
Less - Amount representing interest	(7,822)	(73)
Present value of net minimum lease payments	71,280	664
Less - Current obligations	(17,044)	(159)
Long-term capital lease obligations	¥54,236	$505

Rental expenses under operating leases for the years ended March 31, 2003, 2004 and 2005 were ¥76,118 million, ¥81,912 million and ¥83,784 million ($780 million), respectively.

The minimum rental payments required under operating leases relating primarily to land, buildings and equipment having initial or remaining non-cancelable lease terms in excess of one year at March 31, 2005 are as follows:

Years ending March 31,	Yen in millions	U.S. dollars in millions
2006	¥ 8,649	$ 81
2007	7,027	65
2008	4,983	46
2009	4,270	40
2010	3,567	33
Thereafter	14,655	137
Total minimum future rentals	¥43,151	$402

23. OTHER COMMITMENTS AND CONTINGENCIES, CONCENTRATIONS AND FACTORS THAT MAY AFFECT FUTURE OPERATIONS

Commitments outstanding at March 31, 2005 for the purchase of property, plant and equipment and other assets approximated ¥87,617 million ($816 million).

Toyota enters into contracts with Toyota dealers to guarantee customers' payments of their installment payables that arise from installment contracts between customers and Toyota dealers, as and when requested by Toyota dealers. Guarantee periods are set to match maturity of installment payments, and at March 31, 2005, range from one month to 35 years; however, they are generally shorter than the useful lives of products sold. Toyota is required to execute its guarantee primarily when customers are unable to make required payments. The maximum potential amount of future payments as of March 31, 2005 is ¥1,139,638 million ($10,612 million). Liabilities for guarantees totaling ¥3,789 million ($35 million) have been provided as of March 31, 2005. Under these guarantee contracts, Toyota is entitled to recover any amount paid by Toyota from the customers whose obligations Toyota has guaranteed.

In February 2003, Toyota, General Motors Corporation, Ford, DaimlerChrysler, Honda, Nissan and BMW and their U.S. and Canadian sales and marketing subsidiaries, the National Automobile Dealers Association and the Canadian Automobile Dealers Association were named as defendants in purported nationwide class actions on behalf of all purchasers of new motor vehicles in the United States since January 1, 2001. 26 similar actions were filed in federal district courts in California, Illinois, New York, Massachusetts, Florida, New Jersey and Pennsylvania. Additionally, 56 parallel class actions were filed in state courts in California, Minnesota, New Mexico, New York, Tennessee, Wisconsin, Arizona, Florida, Iowa, New Jersey and Nebraska on behalf of the same purchasers in these states. As of April 1, 2005, actions filed in federal district courts were consolidated in Maine and actions filed in the state courts of California and New Jersey were also consolidated, respectively. The nearly identical complaints allege that the defendants violated the Sherman Antitrust Act by conspiring among themselves and with their dealers to prevent the sale to United States citizens of vehicles produced for the Canadian market. The complaints allege that new vehicle prices in Canada are 10% to 30% lower than those in the United States and that preventing the sale of these vehicles to United States citizens resulted in United States consumers paying excessive prices for the same type of vehicles. The complaints seek permanent injunctions against the alleged antitrust violations and treble damages in an unspecified amount. In March 2004, the federal district court of Maine (i) dismissed claims against certain Canadian sales and marketing subsidiaries, including Toyota Canada, Inc., for lack of personal jurisdiction but denied or deferred to dismiss claims against certain other Canadian companies, and (ii) dismissed the claim for damages based on the Sherman Antitrust Act but did not bar the plaintiffs from seeking injunctive relief against the alleged antitrust violations. The plaintiffs have submitted an amended compliant adding a claim for damages based on state antitrust laws and Toyota is now responding to the plaintiff's discovery requests. Toyota believes that its actions have been lawful and intends to vigorously defend these cases.

Toyota has various legal actions, governmental proceedings and other claims pending against it, including product liability claims in the United States. Although the claimants in some of these actions seek potentially substantial damages, Toyota cannot currently determine its potential liability or the damages, if any, with respect to these claims. However, based upon information currently available to Toyota, Toyota believes that its losses from these matters, if any, would not have a material adverse effect on Toyota's financial position, operating results or cash flows.

In September 2000, the European Union approved a directive that requires member states to promulgate regulations implementing the following by April 21, 2002: (i) manufacturers shall bear all or a significant part of the costs for taking back end-of-life vehicles put on the market after July 1, 2002 and dismantling and recycling those vehicles. Beginning January 1, 2007, manufacturers will also be financially responsible for vehicles put on the market before July 1, 2002; (ii) manufacturers may not use certain hazardous materials in vehicles to be sold after July 2003; (iii) vehicles type-approved and put on the market from three years after the amendment of the directive on type-approval shall be re-usable and/or recyclable to a minimum of 85% by weight per vehicle and shall be re-usable and/or recoverable to a minimum of 95% by weight per vehicle; and (iv) end-of-life vehicles must meet actual re-use of 80% and re-use as material or energy of 85%, respectively, of vehicle weight by 2006, rising respectively to 85% and 95% by 2015. Currently, there are numerous uncertainties surrounding the form and implementation of the applicable regulations in different European Union member states, particularly regarding manufacturer responsibilities and resultant expenses that may be incurred. All of the member states, other than the 10 new member states, have adopted legislation to implement the directive. In addition, Sweden, Denmark and Belgium have existing legislation that partially implements the directive. The 10 new member states which joined the European Union in May 2004 are also in the process of adopting legislation to implement the directive. In addition, under this directive member states must take measures to ensure that car manufacturers, distributors and other auto-related businesses establish adequate used vehicle disposal facilities and to ensure that hazardous materials and recyclable parts are removed from vehicles prior to scrapping. This directive impacts Toyota's vehicles sold in the European Union and Toyota expects to introduce vehicles that are in compliance with such measures taken by the member states pursuant to the directive. Based on the legislation that has been enacted to date, Toyota has provided for its estimated liability related to covered vehicles in existence as of March 31, 2005. Depending on the legislation that is yet to be enacted by certain member states and subject to other circumstances, Toyota may be required to provide additional accruals for the expected costs to comply with these regulations. Although Toyota does not expect its compliance with the directive to result in significant cash expenditures, Toyota is continuing to assess the impact of this future legislation on its results of operations, cash flows and financial position.

Toyota has a concentration of material purchases from a supplier which is an affiliated company. These purchases approximate 10% of material costs.

The parent company has a concentration of labor supply in employees working under collective bargaining agreements and a substantial portion of these employees are working under the agreement that will expire on December 31, 2005.

24. SEGMENT DATA

The operating segments reported below are the segments of Toyota for which separate financial information is available and for which operating income/loss amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance.

The major portions of Toyota's operations on a worldwide basis are derived from the Automotive and Financial Services business segments. The Automotive segment designs, manufactures and distributes sedans, minivans, compact cars, sport-utility vehicles, trucks and related parts and accessories. The Financial Services segment consists primarily of financing operations, and vehicle and equipment leasing operations to assist in the merchandising of Toyota's products as well as other products. The All Other segment includes the design, manufacturing and sales of housing, telecommunications and other business.

The following tables present certain information regarding Toyota's industry segments and operations by geographic areas as of and for the years ended March 31, 2003, 2004 and 2005:

Segment operating results and assets—

As of and for the year ended March 31, 2003:

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Total
Revenues					
External customers	¥14,300,799	¥ 707,527	¥493,227	¥ —	¥15,501,553
Inter-segment	10,652	17,371	301,990	(330,013)	—
Total revenue	14,311,451	724,898	795,217	(330,013)	15,501,553
Operating expenses	13,064,526	694,570	790,688	(319,877)	14,229,907
Operating income	¥ 1,246,925	¥ 30,328	¥ 4,529	¥ (10,136)	¥ 1,271,646
Segment assets	¥ 9,392,749	¥7,392,486	¥722,604	¥2,645,135	¥20,152,974
Investment in equity method investees	1,054,234	161,820	—	56,493	1,272,547
Depreciation	657,814	192,624	20,198	—	870,636
Expenditures for segment assets	998,528	544,390	48,041	19,270	1,610,229

As of and for the year ended March 31, 2004:

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Total
Revenues					
External customers	¥15,963,100	¥ 716,727	¥614,933	¥ —	¥17,294,760
Inter-segment	10,726	20,125	281,311	(312,162)	—
Total revenue	15,973,826	736,852	896,244	(312,162)	17,294,760
Operating expenses	14,454,872	590,854	880,997	(298,853)	15,627,870
Operating income	¥ 1,518,954	¥ 145,998	¥ 15,247	¥ (13,309)	¥ 1,666,890
Segment assets	¥10,207,395	¥8,138,297	¥941,925	¥2,752,611	¥22,040,228
Investment in equity method investees	1,092,713	211,657	—	60,407	1,364,777
Depreciation	772,829	175,533	21,542	—	969,904
Expenditures for segment assets	1,020,608	432,222	43,212	(7,501)	1,488,541

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

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Total
Revenues					
External customers	**¥17,098,415**	**¥ 760,664**	**¥ 692,447**	**¥ —**	**¥18,551,526**
Inter-segment	**15,120**	**20,597**	**337,873**	**(373,590)**	**—**
Total revenue	**17,113,535**	**781,261**	**1,030,320**	**(373,590)**	**18,551,526**
Operating expenses	**15,661,000**	**580,408**	**996,577**	**(358,646)**	**16,879,339**
Operating income	**¥ 1,452,535**	**¥ 200,853**	**¥ 33,743**	**¥ (14,944)**	**¥ 1,672,187**
Segment assets	**¥11,141,197**	**¥9,487,248**	**¥1,025,517**	**¥2,681,049**	**¥24,335,011**
Investment in equity method investees	**1,271,044**	**215,642**	**—**	**75,746**	**1,562,432**
Depreciation	**754,339**	**220,584**	**22,790**	**—**	**997,713**
Expenditures for segment assets	**1,161,757**	**726,777**	**50,555**	**(15,849)**	**1,923,240**

	U.S. dollars in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Total
Revenues					
External customers	**$159,218**	**$ 7,083**	**$6,448**	**$ —**	**$172,749**
Inter-segment	**141**	**192**	**3,146**	**(3,479)**	**—**
Total revenue	**159,359**	**7,275**	**9,594**	**(3,479)**	**172,749**
Operating expenses	**145,833**	**5,405**	**9,280**	**(3,340)**	**157,178**
Operating income	**$ 13,526**	**$ 1,870**	**$ 314**	**$ (139)**	**$ 15,571**
Segment assets	**$103,745**	**$88,344**	**$9,549**	**$24,966**	**$226,604**
Investment in equity method investees	**11,836**	**2,008**	**—**	**705**	**14,549**
Depreciation	**7,025**	**2,054**	**212**	**—**	**9,291**
Expenditures for segment assets	**10,818**	**6,768**	**471**	**(148)**	**17,909**

Revenues to external customers and operating income of the Financial Services segment for the year ended March 31, 2005, includes the impact of adjustments totaling ¥14,991 million ($140 million) made by a sales financing subsidiary in the United States of America for the correction of errors relating to prior periods mainly in connection with capitalization of certain disbursements, including disbursements made in prior years, directly related to origination of loans in accordance with Statement of Financial Accounting Standards No. 91.

Geographic Information—
As of and for the year ended March 31, 2003:

	Yen in millions					
	Japan	North America	Europe	Other foreign countries	Inter-segment Elimination/ Unallocated Amount	Total
Revenues						
External customers	¥ 6,621,054	¥5,929,803	¥1,514,683	¥1,436,013	¥ —	¥15,501,553
Inter-segment	4,224,573	289,036	85,138	110,731	(4,709,478)	—
Total revenue	10,845,627	6,218,839	1,599,821	1,546,744	(4,709,478)	15,501,553
Operating expenses	9,901,337	5,938,851	1,591,516	1,501,118	(4,702,915)	14,229,907
Operating income	¥ 944,290	¥ 279,988	¥ 8,305	¥ 45,626	¥ (6,563)	¥ 1,271,646
Segment assets	¥ 9,272,330	¥6,217,941	¥1,516,360	¥1,072,887	¥ 2,073,456	¥20,152,974
Long-lived assets	2,732,654	1,778,892	410,389	281,944	—	5,203,879

As of and for the year ended March 31, 2004:

	Yen in millions					
	Japan	North America	Europe	Other foreign countries	Inter-segment Elimination/ Unallocated Amount	Total
Revenues						
External customers	¥ 7,167,704	¥5,910,422	¥2,018,969	¥2,197,665	¥ —	¥17,294,760
Inter-segment	4,422,283	217,217	145,372	164,218	(4,949,090)	—
Total revenue	11,589,987	6,127,639	2,164,341	2,361,883	(4,949,090)	17,294,760
Operating expenses	10,481,860	5,736,662	2,091,866	2,264,970	(4,947,488)	15,627,870
Operating income	¥ 1,108,127	¥ 390,977	¥ 72,475	¥ 96,913	¥ (1,602)	¥ 1,666,890
Segment assets	¥10,210,904	¥6,674,694	¥1,842,947	¥1,567,276	¥ 1,744,407	¥22,040,228
Long-lived assets	3,032,629	1,536,550	448,954	336,514	—	5,354,647

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

	Yen in millions					
	Japan	North America	Europe	Other foreign countries	Inter-segment Elimination/ Unallocated Amount	Total
Revenues						
External customers	¥ 7,408,136	¥6,187,624	¥2,305,450	¥2,650,316	¥ —	¥18,551,526
Inter-segment	4,596,019	185,829	173,977	158,808	(5,114,633)	—
Total revenue	12,004,155	6,373,453	2,479,427	2,809,124	(5,114,633)	18,551,526
Operating expenses	11,016,913	5,925,894	2,370,886	2,667,898	(5,102,252)	16,879,339
Operating income	¥987,242	¥ 447,559	¥ 108,541	¥ 141,226	¥ (12,381)	¥ 1,672,187
Segment assets	¥10,740,796	¥7,738,898	¥2,242,566	¥1,943,807	¥ 1,668,944	¥24,335,011
Long-lived assets	3,110,123	1,708,147	544,597	432,727	—	5,795,594

	U.S. dollars in millions					
	Japan	North America	Europe	Other foreign countries	Inter-segment Elimination/ Unallocated Amount	Total
Revenues						
External customers	$ 68,984	$57,618	$21,468	$24,679	$ —	$172,749
Inter-segment	42,797	1,731	1,620	1,479	(47,627)	—
Total revenue	111,781	59,349	23,088	26,158	(47,627)	172,749
Operating expenses	102,588	55,181	22,077	24,843	(47,511)	157,178
Operating income	$ 9,193	$ 4,168	$ 1,011	$ 1,315	$ (116)	$ 15,571
Segment assets	$100,017	$72,064	$20,882	$18,100	$ 15,541	$226,604
Long-lived assets	28,961	15,906	5,071	4,030	—	53,968

Revenues are attributed to geographies based on the country location of the parent company or the subsidiary that transacted the sale with the external customer.

There are no any individually material countries with respect to revenues, operating expenses, operating income, segment assets and long-lived assets included in other foreign countries.

Unallocated amounts included in segment assets represents assets held for corporate purposes, which mainly consist of cash and cash equivalents and marketable securities. Such corporate assets were ¥3,125,276 million, ¥3,270,973 million and ¥3,308,055 million ($30,804 million), as of March 31, 2003, 2004 and 2005, respectively.

Transfers between industry or geographic segments are made at amounts which Toyota's management believes approximate arm's-length transactions. In measuring the reportable segments' income or losses, operating income consists of revenue less operating expenses.

Overseas Revenues by destination—

The following information shows revenues that are attributed to countries based on location of customers, excluding customers in Japan. In addition to the disclosure requirements under FAS No. 131, *Disclosure about Segments of an Enterprise and Related Information* ("FAS 131"), Toyota discloses this information in order to provide financial statement users with valuable information.

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
North America	¥6,200,075	¥6,108,723	**¥6,374,235**	**$59,356**
Europe	1,556,261	2,037,344	**2,365,525**	**22,027**
Other foreign countries	2,568,229	3,355,148	**3,865,764**	**35,997**

Certain financial statement data on non-financial services and financial services businesses—
The financial data below presents separately Toyota's non-financial services and financial services businesses.

Balance sheets—

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Non-Financial Services Businesses			
Current assets			
Cash and cash equivalents	¥ 1,618,876	**¥ 1,324,126**	**$ 12,330**
Time deposits	16,689	**8,006**	**74**
Marketable securities	444,543	**541,785**	**5,045**
Trade accounts and notes receivable, less allowance for doubtful accounts	1,570,205	**1,640,155**	**15,273**
Inventories	1,083,326	**1,306,709**	**12,168**
Prepaid expenses and other current assets	1,391,600	**1,580,371**	**14,716**
Total current assets	6,125,239	**6,401,152**	**59,606**
Investments and other assets	4,254,625	**4,804,843**	**44,742**
Property, plant and equipment	4,398,163	**4,579,052**	**42,640**
Total Non-Financial Services Businesses assets	14,778,027	**15,785,047**	**146,988**
Financial Services Businesses			
Current assets			
Cash and cash equivalents	110,900	**159,627**	**1,486**
Time deposits	51,784	**55,603**	**518**
Marketable securities	3,914	**1,339**	**13**
Finance receivables, net	2,608,340	**3,010,135**	**28,030**
Prepaid expenses and other current assets	605,019	**609,946**	**5,680**
Total current assets	3,379,957	**3,836,650**	**35,727**
Noncurrent finance receivables, net	3,221,013	**3,976,941**	**37,032**
Investments and other assets	580,843	**457,115**	**4,257**
Property, plant and equipment	956,484	**1,216,542**	**11,328**
Total Financial Services Businesses assets	8,138,297	**9,487,248**	**88,344**
Eliminations	(876,096)	**(937,284)**	**(8,728)**
Total assets	¥22,040,228	**¥24,335,011**	**$226,604**

Assets in the non-financial service include unallocated corporate assets.

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2004	**2005**	**2005**
Non-Financial Services Businesses			
Current liabilities			
Short-term borrowings	¥ 718,396	**¥ 713,474**	**$ 6,644**
Current portion of long-term debt	62,634	**60,092**	**560**
Accounts payable	1,695,255	**1,847,036**	**17,199**
Accrued expenses	1,084,357	**1,200,122**	**11,175**
Income taxes payable	241,691	**263,291**	**2,452**
Other current liabilities	971,796	**1,055,336**	**9,827**
Total current liabilities	4,774,129	**5,139,351**	**47,857**
Long-term liabilities			
Long-term debt	771,791	**747,911**	**6,964**
Accrued pension and severance costs	724,369	**645,308**	**6,009**
Other long-term liabilities	600,158	**564,185**	**5,254**
Total long-term liabilities	2,096,318	**1,957,404**	**18,227**
Total Non-Financial Services Businesses liabilities	6,870,447	**7,096,755**	**66,084**
Financial Services Businesses			
Current liabilities			
Short-term borrowings	2,029,258	**2,269,197**	**21,130**
Current portion of long-term debt	1,088,762	**1,092,328**	**10,172**
Accounts payable	15,287	**15,542**	**145**
Accrued expenses	53,031	**93,042**	**866**
Income taxes payable	10,864	**29,544**	**275**
Other current liabilities	259,826	**289,850**	**2,699**
Total current liabilities	3,457,028	**3,789,503**	**35,287**
Long-term liabilities			
Long-term debt	3,726,355	**4,503,247**	**41,933**
Accrued pension and severance costs	1,200	**1,681**	**16**
Other long-term liabilities	244,386	**331,827**	**3,090**
Total long-term liabilities	3,971,941	**4,836,755**	**45,039**
Total Financial Services Businesses liabilities	7,428,969	**8,626,258**	**80,326**
Eliminations	(884,048)	**(937,881)**	**(8,733)**
Total liabilities	13,415,368	**14,785,132**	**137,677**
Minority interest in consolidated subsidiaries	446,293	**504,929**	**4,702**
Shareholders' equity	8,178,567	**9,044,950**	**84,225**
Total liabilities and shareholders' equity	¥22,040,228	**¥24,335,011**	**$226,604**

Statement of income—

	Yen in millions			U.S. dollars in millions
	For the year ended March 31,			For the year ended March 31,
	2003	2004	**2005**	**2005**
Non-Financial Services Businesses				
Net revenues	¥14,803,475	¥16,586,814	**¥17,800,357**	**$165,754**
Costs and expenses				
Cost of revenues	11,915,394	13,507,835	**14,497,252**	**134,996**
Selling, general and administrative	1,631,151	1,540,724	**1,813,288**	**16,885**
Total costs and expenses	13,546,545	15,048,559	**16,310,540**	**151,881**
Operating income	1,256,930	1,538,255	**1,489,817**	**13,873**
Other income (expense), net	(48,563)	97,885	**68,736**	**640**
Income before income taxes, minority interest and equity in earnings of affiliated companies	1,208,367	1,636,140	**1,558,553**	**14,513**
Provision for income taxes	514,710	627,038	**578,709**	**5,389**
Income before minority interest and equity in earnings of affiliated companies	693,657	1,009,102	**979,844**	**9,124**
Minority interest in consolidated subsidiaries	(10,796)	(41,886)	**(63,952)**	**(596)**
Equity in earnings of affiliated companies	46,309	107,542	**131,849**	**1,228**
Net income- Non-Financial Services Businesses	729,170	1,074,758	**1,047,741**	**9,756**
Financial Services Businesses				
Net revenues	724,898	736,852	**781,261**	**7,275**
Costs and expenses				
Cost of revenues	425,691	365,750	**376,150**	**3,503**
Selling, general and administrative	268,879	225,104	**204,258**	**1,902**
Total costs and expenses	694,570	590,854	**580,408**	**5,405**
Operating income	30,328	145,998	**200,853**	**1,870**
Other expense, net	(11,444)	(16,438)	**(4,764)**	**(44)**
Income before income taxes, minority interest and equity in earnings of affiliated companies	18,884	129,560	**196,089**	**1,826**
Provision for income taxes	2,298	53,959	**78,748**	**733**
Income before minority interest and equity in earnings of affiliated companies	16,586	75,601	**117,341**	**1,093**
Minority interest in consolidated subsidiaries	(735)	(815)	**(988)**	**(9)**
Equity in earnings of affiliated companies	6,526	12,753	**7,622**	**71**
Net income- Financial Services Businesses	22,377	87,539	**123,975**	**1,155**
Eliminations	(605)	(199)	**(456)**	**(4)**
Net income	¥ 750,942	¥ 1,162,098	**¥ 1,171,260**	**$ 10,907**

Statement of cash flows—

	Yen in millions			Yen in millions		
	For the year ended March 31, 2003			For the year ended March 31, 2004		
	Non-Financial Services Businesses	Financial Services Businesses	Consolidated	Non-Financial Services Businesses	Financial Services Businesses	Consolidated
Cash flows from operating activities						
Net income	¥ 729,170	¥ 22,377	¥ 750,942	¥ 1,074,758	¥ 87,539	¥ 1,162,098
Adjustments to reconcile net income to net cash provided by operating activities						
Depreciation	678,012	192,624	870,636	794,371	175,533	969,904
Provision for doubtful accounts and credit losses	2,989	96,248	99,837	13,356	69,782	83,138
Pension and severance costs, less payments	55,068	569	55,637	(159,291)	24	(159,267)
Loss on disposal of fixed assets	46,205	287	46,492	38,708	1,034	39,742
Unrealized losses on available-for-sale securities, net	111,346	—	111,346	3,063	—	3,063
Deferred income taxes	(85,056)	10,777	(74,273)	82,918	37,603	120,828
Minority interest in consolidated subsidiaries	10,796	735	11,531	41,886	815	42,686
Equity in earnings of affiliated companies	(46,309)	(6,526)	(52,835)	(107,542)	(12,753)	(120,295)
Changes in operating assets and liabilities, and other	206,810	(50,572)	120,775	88,212	(13,546)	44,837
Net cash provided by operating activities	1,709,031	266,519	1,940,088	1,870,439	346,031	2,186,734
Cash flows from investing activities						
Additions to finance receivables	—	(6,481,200)	(3,439,936)	—	(8,126,880)	(4,547,068)
Collection of and proceeds from sale of finance receivables	—	5,825,456	2,929,151	—	6,878,953	3,395,430
Additions to fixed assets excluding equipment leased to others	(955,488)	(50,443)	(1,005,931)	(923,105)	(22,698)	(945,803)
Additions to equipment leased to others	(110,351)	(493,947)	(604,298)	(133,214)	(409,524)	(542,738)
Proceeds from sales of fixed assets excluding equipment leased to others	50,702	11,145	61,847	63,211	10,714	73,925
Proceeds from sales of equipment leased to others	64,773	221,765	286,538	78,393	210,288	288,681
Purchases of marketable securities and security investments	(868,227)	(245,771)	(1,113,998)	(1,077,317)	(259,150)	(1,336,467)
Proceeds from sales of and maturity of marketable securities and security investments	727,462	194,503	921,965	1,108,265	327,877	1,436,142
Payment for additional investments in affiliated companies, net of cash acquired	(28,229)	—	(28,229)	(20,656)	—	(20,656)
Changes in investments and other assets, and other	65,499	(13,795)	(8,557)	(16,051)	(41,054)	(17,941)
Net cash used in investing activities	(1,053,859)	(1,032,287)	(2,001,448)	(920,474)	(1,431,474)	(2,216,495)
Cash flows from financing activities						
Purchase of common stock	(454,611)	—	(454,611)	(357,457)	—	(357,457)
Proceeds from issuance of long-term debt	174,657	1,528,429	1,686,564	48,373	1,682,550	1,636,570
Payments of long-term debt	(224,261)	(913,207)	(1,117,803)	(140,384)	(1,187,219)	(1,253,045)
Increase (decrease) in short-term borrowings	(83,907)	166,613	30,327	(105,051)	544,806	353,833
Dividends paid	(110,846)	(30)	(110,876)	(137,678)	—	(137,678)
Other	4,074	—	4,074	(15,000)	15,000	—
Net cash provided by (used in) financing activities	(694,894)	781,805	37,675	(707,197)	1,055,137	242,223
Effect of exchange rate changes on cash and cash equivalents	(33,521)	(7,926)	(41,447)	(61,623)	(13,091)	(74,714)
Net increase (decrease) in cash and cash equivalents	(73,243)	8,111	(65,132)	181,145	(43,397)	137,748
Cash and cash equivalents at beginning of year	1,510,974	146,186	1,657,160	1,437,731	154,297	1,592,028
Cash and cash equivalents at end of year	¥ 1,437,731	¥ 154,297	¥ 1,592,028	¥ 1,618,876	¥ 110,900	¥ 1,729,776

	Yen in millions			U.S. dollars in millions		
	For the year ended March 31, 2005			For the year ended March 31, 2005		
	Non-Financial Services Businesses	Financial Services Businesses	Consolidated	Non-Financial Services Businesses	Financial Services Businesses	Consolidated
Cash flows from operating activities						
Net income	**¥ 1,047,741**	**¥ 123,975**	**¥ 1,171,260**	**$ 9,756**	**$ 1,155**	**$ 10,907**
Adjustments to reconcile net income to net cash provided by operating activities						
Depreciation	**777,129**	**220,584**	**997,713**	**7,237**	**2,054**	**9,291**
Provision for doubtful accounts and credit losses	**15,752**	**47,402**	**63,154**	**147**	**441**	**588**
Pension and severance costs, less payments	**(53,401)**	**468**	**(52,933)**	**(497)**	**4**	**(493)**
Loss on disposal of fixed assets	**48,334**	**825**	**49,159**	**450**	**8**	**458**
Unrealized losses on available-for-sale securities, net	**2,324**	**—**	**2,324**	**22**	**—**	**22**
Deferred income taxes	**29,398**	**54,860**	**84,711**	**274**	**511**	**789**
Minority interest in consolidated subsidiaries	**63,952**	**988**	**64,938**	**596**	**9**	**605**
Equity in earnings of affiliated companies	**(131,849)**	**(7,622)**	**(139,471)**	**(1,228)**	**(71)**	**(1,299)**
Changes in operating assets and liabilities, and other	**(97,535)**	**203,762**	**130,085**	**(910)**	**1,897**	**1,210**
Net cash provided by operating activities	**1,701,845**	**645,242**	**2,370,940**	**15,847**	**6,008**	**22,078**
Cash flows from investing activities						
Additions to finance receivables	**—**	**(8,264,794)**	**(4,296,966)**	**—**	**(76,961)**	**(40,013)**
Collection of and proceeds from sale of finance receivables	**—**	**7,289,387**	**3,377,510**	**—**	**67,878**	**31,451**
Additions to fixed assets excluding equipment leased to others	**(1,049,572)**	**(18,715)**	**(1,068,287)**	**(9,774)**	**(174)**	**(9,948)**
Additions to equipment leased to others	**(146,891)**	**(708,062)**	**(854,953)**	**(1,367)**	**(6,593)**	**(7,961)**
Proceeds from sales of fixed assets excluding equipment leased to others	**60,034**	**9,362**	**69,396**	**559**	**87**	**646**
Proceeds from sales of equipment leased to others	**84,450**	**232,006**	**316,456**	**786**	**2,160**	**2,947**
Purchases of marketable securities and security investments	**(1,053,417)**	**(112,374)**	**(1,165,791)**	**(9,809)**	**(1,047)**	**(10,856)**
Proceeds from sales of and maturity of marketable securities and security investments	**471,614**	**102,329**	**573,943**	**4,392**	**952**	**5,344**
Payment for additional investments in affiliated companies, net of cash acquired	**(901)**	**—**	**(901)**	**(8)**	**—**	**(8)**
Changes in investments and other assets, and other	**84,979**	**(16,485)**	**(11,603)**	**790**	**(152)**	**(107)**
Net cash used in investing activities	**(1,549,704)**	**(1,487,346)**	**(3,061,196)**	**(14,431)**	**(13,850)**	**(28,505)**
Cash flows from financing activities						
Purchase of common stock	**(264,106)**	**—**	**(264,106)**	**(2,459)**	**—**	**(2,459)**
Proceeds from issuance of long-term debt	**27,363**	**1,862,012**	**1,863,710**	**255**	**17,339**	**17,354**
Payments of long-term debt	**(59,689)**	**(1,160,710)**	**(1,155,223)**	**(556)**	**(10,808)**	**(10,757)**
Increase in short-term borrowings	**564**	**178,956**	**140,302**	**5**	**1,666**	**1,306**
Dividends paid	**(165,299)**	**—**	**(165,299)**	**(1,539)**	**—**	**(1,539)**
Other	**(7,000)**	**7,000**	**—**	**(65)**	**65**	**—**
Net cash provided by (used in) financing activities	**(468,167)**	**887,258**	**419,384**	**(4,359)**	**8,262**	**3,905**
Effect of exchange rate changes on cash and cash equivalents	**21,276**	**3,573**	**24,849**	**198**	**33**	**231**
Net increase (decrease) in cash and cash equivalents	**(294,750)**	**48,727**	**(246,023)**	**(2,745)**	**453**	**(2,291)**
Cash and cash equivalents at beginning of year	**1,618,876**	**110,900**	**1,729,776**	**15,075**	**1,033**	**16,107**
Cash and cash equivalents at end of year	**¥ 1,324,126**	**¥ 159,627**	**¥ 1,483,753**	**$ 12,330**	**$ 1,486**	**$ 13,816**

25. PER SHARE AMOUNTS

Reconciliations of the differences between basic and diluted net income per share for the years ended March 31, 2003, 2004 and 2005 are as follows:

	Yen in millions	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted-average shares	Net income per share	Net income per share
For the year ended March 31, 2003				
Basic net income per common share	¥ 750,942	3,553,602	¥211.32	
Effect of diluted securities				
Assumed exercise of dilutive stock options		22		
Diluted net income per common share	¥ 750,942	3,553,624	¥211.32	
For the year ended March 31, 2004				
Basic net income per common share	¥1,162,098	3,389,074	¥342.90	
Effect of diluted securities				
Assumed exercise of dilutive stock options		303		
Diluted net income per common share	¥1,162,098	3,389,377	¥342.86	
For the year ended March 31, 2005				
Basic net income per common share	**¥1,171,260**	**3,296,092**	**¥355.35**	**$3.31**
Effect of dilutive securities				
Assumed exercise of dilutive stock options	**(1)**	**662**		
Diluted net income per common share	**¥1,171,259**	**3,296,754**	**¥355.28**	**$3.31**

Certain stock options were not included in the computation of diluted net income per share for the years ended March 31, 2003, 2004 and 2005 because the options' exercise prices were greater than the average market price per common share during the period.

The following table shows Toyota's net assets per share as of March 31, 2004 and 2005. Net assets per share amounts are calculated as dividing net assets' amount at the end of each period by the number of shares issued and outstanding at the end of corresponding period. In addition to the disclosure requirements under FAS No. 128, Earnings per Share, Toyota discloses this information in order to provide financial statement users with valuable information.

	Yen in millions	Thousands of shares	Yen	U.S. dollars
	Net assets	Shares issued and outstanding at the end of the year	Net assets per share	Net assets per share
March 31, 2004				
Net assets	¥8,178,567	3,329,921	¥2,456.08	
March 31, 2005				
Net assets	**9,044,950**	**3,268,078**	**2,767.67**	**$25.77**

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Toyota Jidosha Kabushiki Kaisha
("Toyota Motor Corporation")

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Toyota Motor Corporation and its subsidiaries at March 31, 2004 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

ChuoAoyama PricewaterhouseCoopers

June 23, 2005

DOMESTIC PRODUCTION SITES

As of March 31, 2005

DOMESTIC PLANTS

Name	Main products	Start of operations
Honsha Plant	Chassis for Land Cruiser and Dyna / Toyoace, forging parts, chassis mechanical parts	1938
Motomachi Plant	Crown, Brevis, Progrès, Mark X	1959
Kamigo Plant	Engines	1965
Takaoka Plant	Corolla, Allex, bB, Platz, Fun Cargo, Vitz, ist, Sienta, Porte	1966
Miyoshi Plant	Chassis parts, chassis mechanical parts	1968
Tsutsumi Plant	Prius, Camry, Opa, Premio, Allion, Caldina, Wish, Scion tC	1970
Myochi Plant	Engines, chassis casted parts, chassis mechanical parts	1973
Shimoyama Plant	Engines, exhaust emission control devices	1975
Kinu-ura Plant	Drivetrain casting parts	1978
Tahara Plant	Celsior, GS, Land Cruiser Prado, Hilux, RAV4, Crown	1979
Teiho Plant	Machinery, dies for casting / molds for plastic parts	1986
Hirose Plant	R&D and production of electronic parts and semiconductors, etc.	1989

MANUFACTURING SUBSIDIARIES AND VEHICLE ASSEMBLY AFFILIATES

Company name	Main products*	Start of operations	Voting rights ratio** (%)	Capital (¥ million)
Toyota Motor Kyushu, Inc.	Harrier, Kluger	1992	100.00	45,000
Toyota Motor Hokkaido, Inc.	Transmissions, drivetrain parts, aluminum wheels, etc.	1992	100.00	27,500
Toyota Motor Tohoku Co., Ltd.	Mechanical and electronic parts	1998	100.00	2,000
Toyota Auto Body Co., Ltd.	Hiace, Voxy, Noah, Estima, Prius, Land Cruiser (LX470), Alphard, Ipsum, Dyna / Toyoace, Townace	1945	57.02	10,371
Kanto Auto Works, Ltd.	Century, Crown, Soarer (SC430), Celica, Corolla, Confort, Isis, Mark X, Windom (ES300 / ES330), Altezza (IS200 / 300), Altezza Gita (IS300 Sportcross)	1946	50.64	6,850
Central Motor Co., Ltd.	WiLL CYPHA, Raum, Allex, Corolla Runx, bB, MR-S	1950	77.00	1,300
Gifu Auto Body Industry Co., Ltd.	Hiace, Himedic	1940	47.71	1,175
Daihatsu Motor Co., Ltd.	Cami, Passo, Probox, Succeed	1907	51.56	28,404
Hino Motors, Ltd.	Dyna / Toyoace, Hilux, Townace	1942	50.45	72,717
Toyota Industries Corporation	Vitz, RAV4	1926	24.33	80,462

* Only vehicles produced under Toyota and Lexus brand names shown.
** Including voting rights by the subsidiaries determined in accordance with U.S. GAAP.

OVERSEAS MANUFACTURING COMPANIES

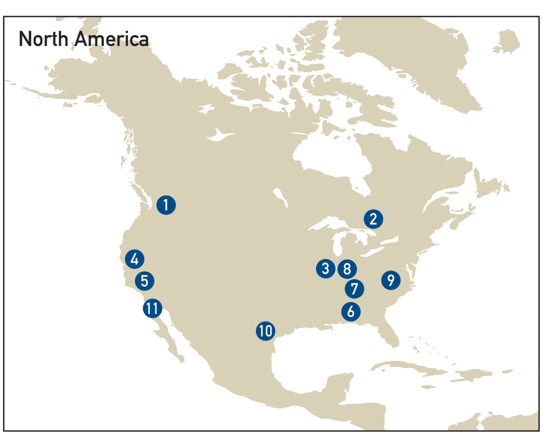
(Plants that manufacture or assemble Toyota- or Lexus-brand vehicles and component manufacturers established by Toyota)

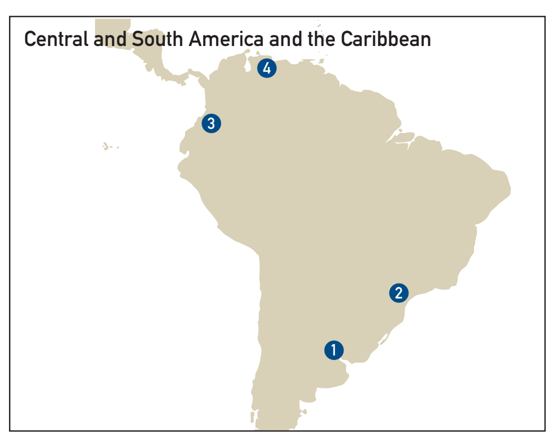
NORTH AMERICA

	Company name	Start of operations	Voting rights ratio* (%)	Products**
Canada	1 Canadian Autoparts Toyota Inc. (CAPTIN)	Feb. 1985	100.00	Aluminum wheels
	2 Toyota Motor Manufacturing Canada Inc. (TMMC)	Nov. 1988	100.00	Corolla, Matrix, RX330, engines
U.S.A.	3 Bodine Aluminum, Inc.	Jan. 1993	100.00	Aluminum castings
	4 New United Motor Manufacturing, Inc. (NUMMI)	Dec. 1984	50.00	Corolla, Tacoma
	5 TABC, Inc.	Nov. 1971	100.00	Truck beds, catalytic converters, stamped parts
	6 Toyota Motor Manufacturing, Alabama, Inc. (TMMAL)	May 2003	100.00	Engines
	7 Toyota Motor Manufacturing, Kentucky, Inc. (TMMK)	May 1988	100.00	Avalon, Camry, Solara, engines
	8 Toyota Motor Manufacturing, Indiana, Inc. (TMMI)	Dec. 1998	100.00	Tundra, Sequoia, Sienna
	9 Toyota Motor Manufacturing, West Virginia, Inc. (TMMWV)	Nov. 1998	100.00	Engines, transmissions
	10 Toyota Motor Manufacturing, Texas, Inc. (TMMTX)	2006 (planned)	100.00	Tundra
Mexico	11 Toyota Motor Manufacturing de Baja California S.de R.L.de.C.V (TMMBC)	Sep. 2004	100.00	Truck beds, Tacoma

CENTRAL AND SOUTH AMERICA AND THE CARIBBEAN

	Company name	Start of operations	Voting rights ratio* (%)	Products**
Argentina	1 Toyota Argentina S.A.	Mar. 1997	100.00	Hilux
Brazil	2 Toyota do Brasil Ltda.	May 1959	100.00	Corolla, engines
Colombia	3 Sociedad de Fabricacion de Automotores S.A.	Mar. 1992	28.00	Hilux, Land Cruiser Prado
Venezuela	4 Toyota de Venezuela Compania Anonima	Nov. 1981	90.00	Corolla, Dyna, Land Cruiser, Terios***



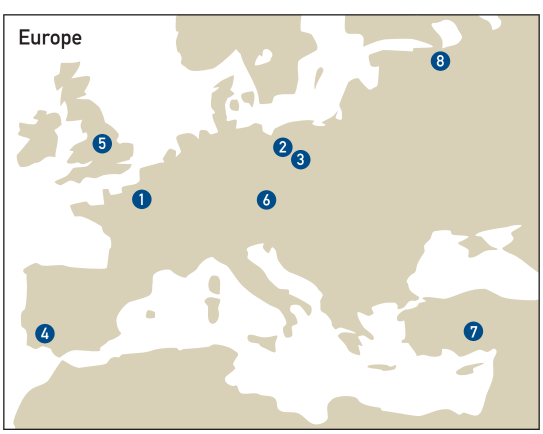


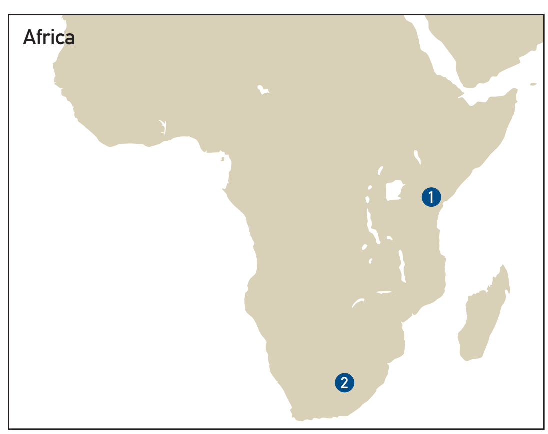
EUROPE

	Company name	Start of operations	Voting rights ratio* (%)	Products**
France	❶ Toyota Motor Manufacturing France S.A.S. (TMMF)	Jan. 2001	100.00	Yaris, engines
Poland	❷ Toyota Motor Manufacturing Poland SP.zo.o. (TMMP)	Apr. 2002	94.00	Transmissions, engines
	❸ Toyota Motor Industries Poland SP.zo.o. (TMIP)	Mar. 2005	60.00	Engines
Portugal	❹ Salvador Caetano I.M.V.T., S.A.	Aug. 1968	27.00	Dyna, Hiace, Optimo
U.K.	❺ Toyota Motor Manufacturing (UK) Ltd. (TMUK)	Sep. 1992	100.00	Avensis, Corolla, engines
Czech Republic	❻ Toyota Peugeot Citroën Automobile Czech, s.r.o. (TPCA)	Feb. 2005	50.00	Aygo
Turkey	❼ Toyota Motor Manufacturing TURKEY Inc. (TMMT)	Sep. 1994	90.00	Corolla
Russia	❽ OOO "Toyota Motor Manufacturing Russia"	Dec. 2007 (planned)	—	Camry

AFRICA

	Company name	Start of operations	Voting rights ratio* (%)	Products**
Kenya	❶ Associated Vehicle Assemblers Ltd.	Aug. 1977	—	Hiace, Hilux, Land Cruiser
South Africa	❷ Toyota South Africa Motors (Pty) Ltd.	June 1962	100.00	Corolla, Dyna, Hiace, Hilux, catalytic converters, engines





* Including voting rights by the subsidiaries determined in accordance with U.S. GAAP. (As of March 31, 2005)
** Products as of March 31, 2005
*** Daihatsu brand

ASIA

	Company name	Start of operations	Voting rights ratio* (%)	Products**
China	1 Tianjin Jinfeng Auto Parts Co., Ltd.	July 1997	30.00	Steering parts, propeller shafts
	2 Tianjin Toyota Motor Engine Co., Ltd.	July 1998	50.00	Engines
	3 Tianjin Fengjin Auto Parts Co., Ltd.	May 1998	90.00	Continuous velocity joints
	4 Tianjin Toyota Forging Co., Ltd.	Dec. 1998	100.00	Forging parts
	5 Tianjin FAW Toyota Motor Co., Ltd.	Oct. 2002	50.00	Vios, Corolla, Crown
	6 Sichuan Toyota Motor Co., Ltd.	Dec. 2000	45.00	Coaster, Land Cruiser Prado
	7 Chang Chun FAW Fengyue Auto Co., Ltd.	Sep. 2003	—	Land Cruiser
	8 FAW Toyota Changchun Engine Co., Ltd.	Dec. 2004	50.00	Engines
	9 Guangqi Toyota Engine Co., Ltd.	Jan. 2005	70.00	Engines, engine parts (cam shafts, crank shafts)
	10 Tianjin Toyota Press Co., Ltd.	May 2002	50.00	Press parts
	11 Tianjin Toyota Resin Co., Ltd.	May 2002	50.00	Plastic parts
	12 Toyota FAW (Tianjin) Dies Co., Ltd.	Dec. 2004	90.00	Stamping dies for vehicles
	13 Guangzhou Toyota Motor Co., Ltd.	2006 (planned)	—	Camry
Taiwan	14 Kuozui Motors, Ltd.	Jan. 1986	56.66	Camry, Corolla, Vios, TUV, Hiace, Wish, Dyna
Philippines	15 Toyota Autoparts Philippines Inc.	Sep. 1992	95.00	Transmissions, constant velocity universal joints
	16 Toyota Motor Philippines Corp.	Feb. 1989	34.00	Camry, Corolla, Innova
Vietnam	17 Toyota Motor Vietnam Co., Ltd.	Aug. 1996	70.00	Camry, Corolla, Hiace, Land Cruiser, TUV, Vios

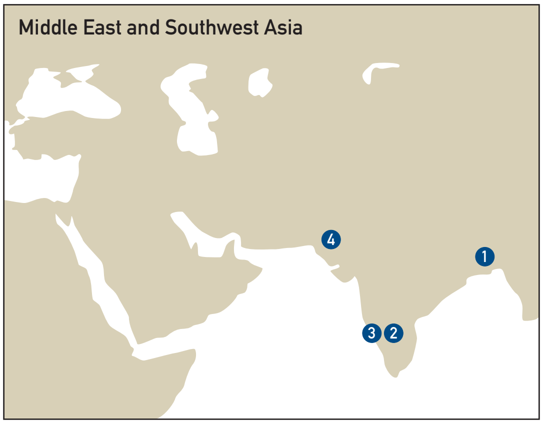
Thailand	18 Siam Toyota Manufacturing Co., Ltd. (STM)	July 1989	96.00	Engines, propeller shafts
	19 Toyota Auto Body Thailand Co., Ltd.	May 1979	48.97	Stamped parts
	20 Toyota Motor Thailand Co., Ltd. (TMT)	Dec. 1964	86.43	Camry, Corolla, Hilux VIGO, Soluna-vios, Wish
Malaysia	21 Assembly Services Sdn. Bhd.	Feb. 1968	—	Camry, Corolla, Hiace, TUV, Vios, engines
Indonesia	22 PT. Toyota Motor Manufacturing Indonesia	May 1970	95.00	Camry, Kijang Innova, engines

OCEANIA

	Company name	Start of operations	Voting rights ratio* (%)	Products**
Australia	1 Toyota Motor Corporation Australia Ltd. (TMCA)	Apr. 1963	100.00	Camry, engines

MIDDLE EAST AND SOUTHWEST ASIA

	Company name	Start of operations	Voting rights ratio* (%)	Products**
Bangladesh	1 Aftab Automobiles Ltd.	July 1982	—	Land Cruiser Prado
India	2 Toyota Kirloskar Motor Private Ltd. (TKM)	Dec. 1999	99.00	Qualis, Corolla
	3 Toyota Kirloskar Auto Parts Private Ltd. (TKAD)	July 2002	64.30	Axles, manual transmissions, propeller shafts
Pakistan	4 Indus Motor Company Ltd.	Mar. 1993	12.50	Corolla, Hilux



* Including voting rights by the subsidiaries determined in accordance with U.S. GAAP. (As of March 31, 2005)
** Products as of March 31, 2005

ENVIRONMENTAL PRESERVATION ACTIVITIES

Toyota has long regarded environmental issues as one of its top management priorities. Guided by our basic management tenet of seeking growth in harmony with the environment, we have taken steps to develop and popularize technologies that enable the economy and the environment to coexist.

In 1992, the Company set out guidelines for its environment-related activities in the Toyota Earth Charter. In the following year, we issued the Toyota Environmental Action Plan to reflect those guidelines in operations. At present, Toyota is implementing its third such action plan, which began in 2001, and in April 2006 the Company will roll out initiatives based on the fourth five-year Toyota Environmental Action Plan. After reconsidering the key environmental issues that we are likely to face over the medium-to-long term, we organized that new plan around four overriding issues: Energy / Global Warming, Resource Recycling, Environmentally Burdensome Substances, and Air Quality. Then, we prepared concrete measures to address those issues for different operational areas: design and development; purchasing, production, and distribution; and sales and recycling.

Tree-planting program conducted by Toyota Shirakawa-Go Eco-Institute

Principal Initiatives: For vehicles, we aim to achieve a sustainable, mobile society by minimizing harmful exhaust emissions and maximizing fuel efficiency. To those ends, Toyota is steadily producing tangible results through the development and marketing of next-generation engines and exhaust emission reduction systems. Since the Prius was introduced in 1997 as the world's first mass-produced hybrid vehicle, we have actively enhanced our hybrid vehicles.

In production, we are doing our utmost to reduce emissions of CO_2 and volatile organic compounds (VOCs) by aggressively introducing production technologies and thoroughly implementing daily control activities. In fiscal 2005, through the steady implementation of these measures, we met our objectives for reductions in emissions of CO_2 and VOCs in the painting process.

In 1998, we developed technology for the recycling of materials that are regarded as difficult to recycle, such as auto shredder residue. In 2003, we initiated the Toyota Recycle Vision, which seeks the early realization of a 95% vehicle recovery ratio. To achieve that target, we are designing vehicles that are much easier to dismantle and recycle. Moreover, Toyota is playing a central role in the operation of the new recycling system created through the enactment of the Automobile Recycling Law in 2005. For example, we have constructed nationwide systems for information management and for the collection and recycling of shredder residue, airbags, and various materials, including chlorofluorocarbons.

Environmental Management: Toyota's environmental management encompasses every stage of a vehicle's life, from development and production through distribution, usage, disposal, and recycling. In 2005, we introduced Eco-VAS (Eco-Vehicle Assessment System), a comprehensive environmental evaluation system based on life cycle assessment. Using that system, we will steadily improve the environmental performance of vehicles by fixing numerical targets at the outset of all vehicle development processes.

Toyota integrates its environmental preservation efforts with those of subsidiaries in Japan and overseas based on a consolidated environmental management system introduced in 2000. We are working to achieve steady reductions in CO_2 emissions, substances that place a burden on the environment, waste generation, and water usage. To enhance and reinforce local initiatives, in October 2004 we invited 40 overseas environmental managers from 31 work sites in 21 countries to Japan for a training seminar.

Bioplastics pilot plant

* For additional information, please refer to the following web sites:
(Japanese) http://www.toyota.co.jp/envrep05/
(English) http://www.toyota.co.jp/en/envrep05/

SOCIAL CONTRIBUTION ACTIVITIES

Aiming to be one of international society's trusted, upstanding corporate citizens, Toyota undertakes social contribution initiatives centered on North America, Europe, Asia, and other regions where it does business. Our contributions encompass a wide range of fields, including science and technology promotion, road safety campaigns, patronage of the arts, environmental conservation, volunteer activities, and local community activities. To coordinate and advance such initiatives, Toyota has established the Corporate Philanthropy Committee, which is chaired by Toyota's president and comprises directors. And in Japan, since 1990, Toyota has been a member of Nippon Keidanren's 1% Club, allocating approximately one percent of its nonconsolidated ordinary income to social contributions every year.

Mobilitas driving-safety course

Initiatives in Japan: Our activities can be categorized into three main areas: advancing science and technology, popularizing the arts, and preserving the environment. In efforts to promote science and technology, we give children the chance to experience the mysteries of science and the pleasure of making things by sending employees as volunteer instructors to science museums and fairs. Also, we are taking steps to popularize the arts by developing specialists in arts and culture, increasing the pool of professional artists, and invigorating regional culture. For example, we support amateur orchestras through Toyota community concerts, discover talented new choreographers through the Toyota Choreography Award, and broaden the outlooks and stimulate the sensibilities of children by dispatching artists to schools and nurseries to conduct classes as part of our project to bring artists and children together. Also, the Company implements various environmental educational programs and sponsors afforestation projects to help mitigate global warming.

One of the ultimate aspirations of a mobility-based society is to eradicate traffic accident injuries and fatalities. To contribute to efforts toward realizing that goal, we established the TOYOTA safety education center Mobilitas inside the newly renovated Fuji Speedway in April 2005. The center provides a permanent venue for the Toyota Driver Communication driving-safety courses that we have been conducting regularly since 1987 as part of efforts to raise traffic safety awareness.

Initiatives Overseas: Mainly focusing on North America, Europe, and Asia, our overseas social contribution activities center on the environment and education. In the United States, we have been supporting the parent-and-child educational programs run by the National Center for Family Literacy since 1991. Further, we have established the Toyota Family Literacy Program, mostly targeting immigrants from the Spanish-speaking countries of Central and South America. In Europe, we sponsor the Red Cross Society's traffic safety, lifesaving, and first-aid educational campaigns for children in 26 European countries. Also, we collaborate with local NGOs in the United Kingdom, the Czech Republic, and Poland in the development of environmental education programs. In Asia, Toyota backs tree planting projects to prevent desertification in China, implements environmental improvement programs for secondary schools in Malaysia, and supports an NPO involved in the removal of landmines as part of humanitarian projects in Thailand and Cambodia.

In addition to the above-mentioned initiatives, Toyota seeks to coexist with and benefit societies around the world through the implementation of diverse programs in alliance with local communities, governments, and NPOs.

Parent-and-child education program in North America

EXPO 2005

TOYOTA GROUP PAVILION—THE DREAM, JOY AND INSPIRATION OF MOBILITY IN THE 21st CENTURY

In March 2005, the curtain lifted on EXPO 2005, or the 2005 World Exposition, Aichi, Japan, which is themed on Nature's Wisdom and will last for approximately six months. Under the banner "The Dream, Joy and Inspiration of Mobility in the 21st Century," the Toyota Group Pavilion, which is the culmination of efforts by Toyota and 15 other Group companies, offers a glimpse of Toyota's advanced technology through performances and exhibits. As of July 4th, 10 million people had visited EXPO 2005. Our pavilion has become one of the event's main attractions.

Toyota Group Pavilion

Next-generation IMTS

In the main theater, a Toyota Partner Robots band gives a musical rendition that even includes a robot rapper. Other futuristic players in the dazzling performance include single-seater i-unit concept vehicles and mountable walking i-foot robots. The show is a window on tomorrow's technology and vehicles and the possibilities they offer for the creation of an ideal society in the 21st century that is mobility based and in which the elderly and physically challenged can move autonomously. Testifying to the high-reliability of our technology, all of those performances have operated without a hitch during the exposition.

The design and operation of the exhibition facility make it an environmentally friendly Natural-Cycle Earth Pavilion. For example, we have used a steel frame that can be dismantled and reused for the main structure, recycled paper for the outer walls, and kenaf for part of the inside walls. We aim to eliminate building material waste after the exposition closes by completely disassembling the building to recover those materials. Also, we are realizing zero net CO_2 emissions by producing electricity at a wind-power generator constructed off-site.

In addition, Toyota's fuel cell hybrid buses, which combine high-pressure, hydrogen-supplied fuel cells and hybrid technology, are providing transportation between EXPO 2005's two event sites. What is more, our next-generation Intelligent Multimode Transit System (IMTS) shuttles visitors around one of the event sites. Fueled by compressed natural gas, IMTS is based on technology that allows the unmanned platoon, or train-like, operation of several non-mechanically linked buses on dedicated roads and manual operation on ordinary roads.

The Toyota Group hopes that its ideas will catalyze the creation of new values and lifestyles in the 21st century and, in turn, generate an ever-widening wave of technological innovation.

Futuristic i-unit concept vehicles

Performance at the main theater

MOTORSPORTS

By taking part in motorsports, Toyota aims to share with people around the world the fun, inspiration, and limitless possibilities that cars offer. Today, our participation in motorsports mainly focuses on the Formula One World Championship, the IRL Indy Car Series, the NASCAR Craftsman Truck Series, and the Super GT World Challenge. Also, we continue to contribute to the foundations of motorsports by nurturing elite drivers, sponsoring one-make formula races, and renovating Fuji Speedway.

While not achieving the F1 podium placing we had hoped for in 2004, we equaled our high-water mark by placing fifth in the U.S. Grand Prix, the ninth race of the season. In response to new technical regulations, we are facing the 2005 season, our fourth year in F1, with a brand new car. The Toyota TF105 is designed to offer outstanding aerodynamic performance and reliability. And, Jarno Trulli and Ralf Schumacher have joined our team's drivers. Those changes rapidly bore fruit; in only the second event of the 2005 season, Toyota claimed its long-awaited first podium when Trulli crossed the line in second place at the Malaysian Grand Prix. And, as of the 10th race Toyota ranked fourth in the Constructors' Championship.

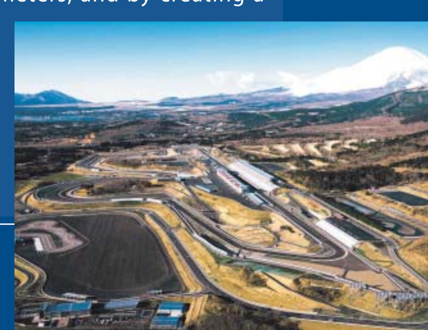
In the 2004 IRL Indy Car Series, although unable to defend the previous year's triumph at the storied Indy 500 race, we rounded off the season in style with a victory in the final race of the season in Texas. In 2005, Toyota engines are powering 10 cars used by six teams.

In addition, the Toyota Driver Development Program grooms drivers for high-level competition by identifying talented individuals and helping them to steadily move up the ranks of international motorsports.

* For additional information, please refer to the following web sites:
(Toyota's motorsports activities) http://www.toyota.co.jp/ms/ (Japanese only)
(F1) http://www.toyota-f1.com/

Fuji Speedway

In April 2005, we took the wraps off a rejuvenated Fuji Speedway, which is now a leading-edge circuit ready to host a wide spectrum of motorsports and other events. Toyota holds a 93.4% stake in Fuji International Speedway Co., Ltd., which implemented a major renovation of the circuit from September 2002. Those efforts paid off. The Federation Internationale de l'Automobile awarded Fuji Speedway the highest evaluation a circuit can obtain—grade 1—which makes the holding of F1 races in the future possible. At Fuji Speedway, we set out to realize the most advanced and exciting circuit ever by building the world's longest main straight, at 1,475 meters, and by creating a smooth, flat pavement surface to a degree of precision that exceeds grade 1 requirements.



MEMBERS OF THE BOARD OF DIRECTORS AND AUDITORS

As of June 23, 2005

CHAIRMAN OF THE BOARD

Hiroshi Okuda

VICE CHAIRMEN

Fujio Cho

Katsuhiro Nakagawa

PRESIDENT

Katsuaki Watanabe

HONORARY CHAIRMAN AND DIRECTOR

Shoichiro Toyoda

EXECUTIVE VICE PRESIDENTS

(Main operational responsibilities)

Tokuichi Uranishi

Overseas Operations Group (Overseas Planning Operations Group, The Americas Operations Group, Europe & Africa Operations Group, Oceania & Middle East Operations Group)

Kazuo Okamoto

Research & Development (R&D Management, Technical Administration, Design, Product Development, Vehicle Engineering, Motor Sports)

Kyoji Sasazu

Domestic Sales Operations

Mitsuo Kinoshita

Corporate Planning / General Administration & Human Resources / Finance & Accounting / Information Systems / Business Development / Government & Public Affairs / Housing

Yoshimi Inaba

Overseas Operations Group (China Operations) / Customer Service Operations

Takeshi Uchiyamada

Production / TQM / Environmental Affairs

Masatami Takimoto

Quality Control / Research & Development (Power Train Development, Future Project) / Fuel Cell System Development

Akio Toyoda

Product Management / IT & ITS / Purchasing

SENIOR MANAGING DIRECTORS

(Main operational responsibilities)

Tetsuo Hattori
Quality Group /
Vehicle Engineering Group

Yukitoshi Funo
The Americas Operations Group /
Toyota Motor Sales, U.S.A. Inc.

Takeshi Suzuki
Finance & Accounting Group /
Information Systems Group

Atsushi Niimi
Production Control & Logistics Group /
Manufacturing Group

Hajime Wakayama
Business Development Group /
Purchasing Group

Hiroshi Takada
Overseas Planning Operations Group

Teiji Tachibana
General Administration & Human
Resources Group / Housing Group

Shinichi Sasaki
Toyota Motor Europe /
Toyota Motor Engineering &
Manufacturing Europe n.v./s.a.

Shin Kanada
Government & Public Affairs Group

Akira Okabe
Asia, Oceania & Middle East Operations
Group

Yoshio Shirai
Technical Administration Group /
Product Development Group

Yoichiro Ichimaru
Domestic Sales Operations Group /
Customer Service Operations Group

Shoji Ikawa
Production Engineering Group

BOARD OF CORPORATE AUDITORS

Hideaki Miyahara

Yoshiro Hayashi

Chiaki Yamaguchi

Yasutaka Okamura

Hiromu Okabe

Yoichi Kaya

Tadashi Ishikawa

INVESTOR INFORMATION

As of March 31, 2005

TOYOTA MOTOR CORPORATION

ESTABLISHED
August 28, 1937

STOCK LISTINGS

Japan
Tokyo, Nagoya, Osaka, Fukuoka, Sapporo

Overseas
New York, London

SHARES OF COMMON STOCK
3,609,997,492 shares issued

NUMBER OF SHAREHOLDERS
352,029

MAJOR SHAREHOLDERS (TOP 10)
Japan Trustee Services Bank, Ltd.
The Master Trust Bank of Japan, Ltd.
Toyota Industries Corporation
Nippon Life Insurance Co.
Trust & Custody Services Bank, Ltd.
Shinsei Bank, Ltd.
State Street Bank and Trust Company
Tokio Marine & Nichido Fire Insurance Co., Ltd.
Mitsui Sumitomo Insurance Co., Ltd.
Hero and Company

CONTACT POINTS FOR INVESTORS

Toyota City Head Office
1, Toyota-cho, Toyota City,
Aichi Prefecture 471-8571, Japan
Telephone: (0565) 28-2121
Facsimile: (0565) 23-5800

Tokyo Head Office
4-18, Koraku 1-chome,
Bunkyo-ku, Tokyo 112-8701,
Japan
Telephone: (03) 3817-7111
Facsimile: (03) 3817-9092

New York
Toyota Motor North America, Inc.
9 West 57th St., Suite 4900,
New York, NY 10019, U.S.A.
Telephone: (212) 223-0303
Facsimile: (212) 759-7670

London
Toyota Motor Europe
9 Clifford Street,
London, W1S 2LD, U.K.
Telephone: (020) 7851-2312
Facsimile: (020) 7851-2338

SHAREHOLDER SERVICES

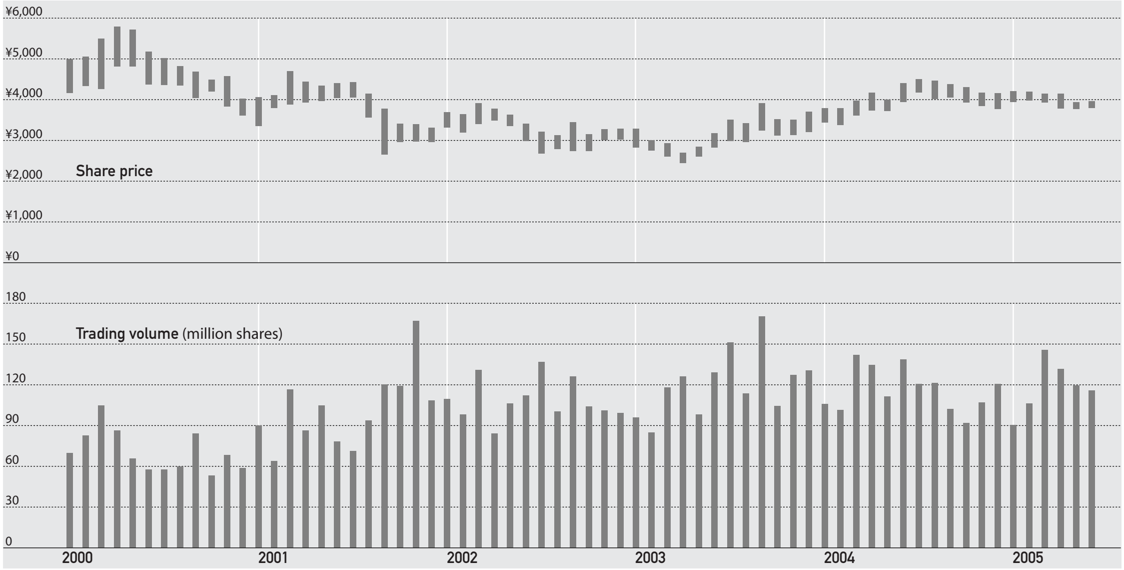
Transfer agent in Japan
UFJ Trust Bank Ltd.
4-3, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-0005, Japan
Telephone: (03) 3287-2211
Japan Toll-Free: (0120) 232-711

Depositary and transfer agent for American Depositary Receipts
The Bank of New York
101 Barclay Street,
New York, NY 10286, U.S.A.
Telephone: (212) 815-8161
U.S. Toll Free: 1-888-269-2377
(1-888-BNY-ADRS)
http://www.adrbny.com
Ratio: 1 ADR = 2 ordinary shares
Ticker Symbol: TM

WORLD WIDE WEB
http://www.toyota.co.jp

Toyota City Head Office

TOYOTA'S SHARE PRICE AND TRADING VOLUME ON THE TOKYO STOCK EXCHANGE



TOYOTA

TOYOTA MOTOR CORPORATION
1, Toyota-cho, Toyota City, Aichi Prefecture 471-8571, Japan
www.toyota.co.jp

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