TOYOTA MOTOR CORPORATION

Annual Report 2008

Year ended March 31, 2008

Driving to Innovate New Value

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, the Canadian 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 government 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.

Cover: Redesigned Crown (February 2008)

Driving to Innovate New Value

» Supported by people around the world, Toyota Motor Corporation has endeavored since its establishment in 1937 to serve society by creating better products. Today, the Company manufactures vehicles and parts at 53 production sites in 27 countries and regions around the globe and is an active member in the communities it serves. In fiscal 2008, ended March 31, 2008, the Toyota Group sold approximately 8.91 million vehicles in 170 countries and regions under the Toyota, Lexus, Daihatsu, and Hino brands.

As the automobile industry faces a turning point in its history, Toyota aims to achieve sustainable growth by building a more flexible and stronger corporate structure to meet the challenges ahead. Drawing on the strengths of the entire Group, Toyota will continue to innovate and move forward on the road to future growth and the creation of new value.

Financial Highlights

Toyota Motor Corporation   Fiscal years ended March 31

Consolidated Performance (U.S. GAAP)

	Yen in millions 2006	Yen in millions 2007	Yen in millions 2008	U.S. dollars* in millions 2008	% change 2007vs2008
For the Year:					
Net Revenues	¥21,036,909	¥23,948,091	**¥26,289,240**	**$262,394**	+9.8
Operating Income	1,878,342	2,238,683	**2,270,375**	**22,661**	+1.4
Net Income	1,372,180	1,644,032	**1,717,879**	**17,146**	+4.5
ROE	14.0%	14.7%	**14.5%**	—	—
At Year-End:					
Total Assets	¥28,731,595	¥32,574,779	**¥32,458,320**	**$323,968**	-0.4
Shareholders' Equity	10,560,449	11,836,092	**11,869,527**	**118,470**	+0.3

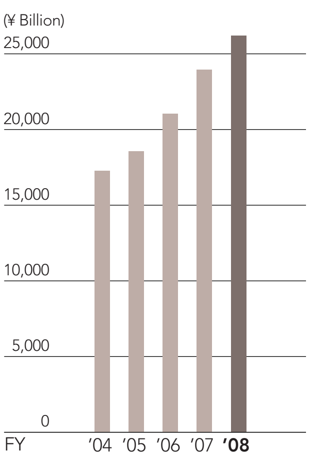
	Yen 2006	Yen 2007	Yen 2008	U.S. dollars* 2008	% change 2007vs2008
Per Share Data:					
Net Income (Basic)	¥ 421.76	¥ 512.09	**¥ 540.65**	**$ 5.40**	+5.6
Annual Cash Dividends	90.00	120.00	**140.00**	**1.40**	+16.7
Shareholders' Equity	3,257.63	3,701.17	**3,768.97**	**37.62**	+1.8
Stock Information (March 31)**:**					
Stock Price	¥6,430	¥7,550	**¥4,970**	**$49.61**	-34.2
Market Capitalization (Yen in millions, U.S. dollars in millions)	¥23,212,284	¥27,255,481	**¥17,136,548**	**$171,041**	-37.1

* U.S. dollar amounts have been translated at the rate of ¥100.19=US$1, the approximate current exchange rate at March 31, 2008.

Net Revenues

+9.8%

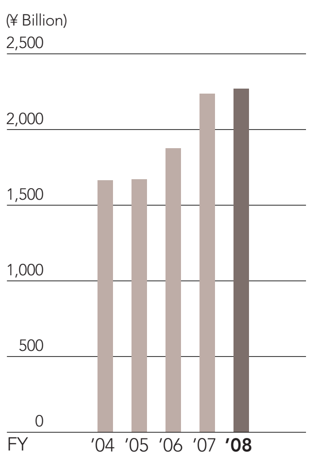
¥26.29 trillion



Operating Income

+1.4%

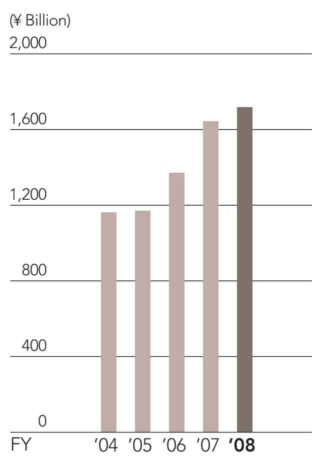
¥2.27 trillion



Net Income

+4.5%

¥1.72 trillion

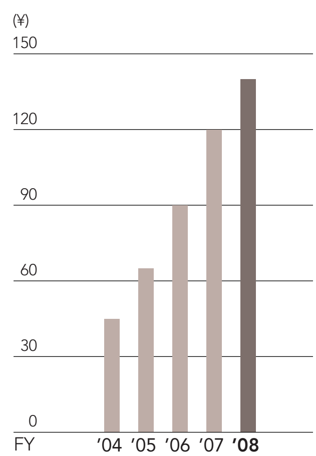


Cash Dividends per Share

+¥20.00

Annual Cash Dividends per Share

¥140.00



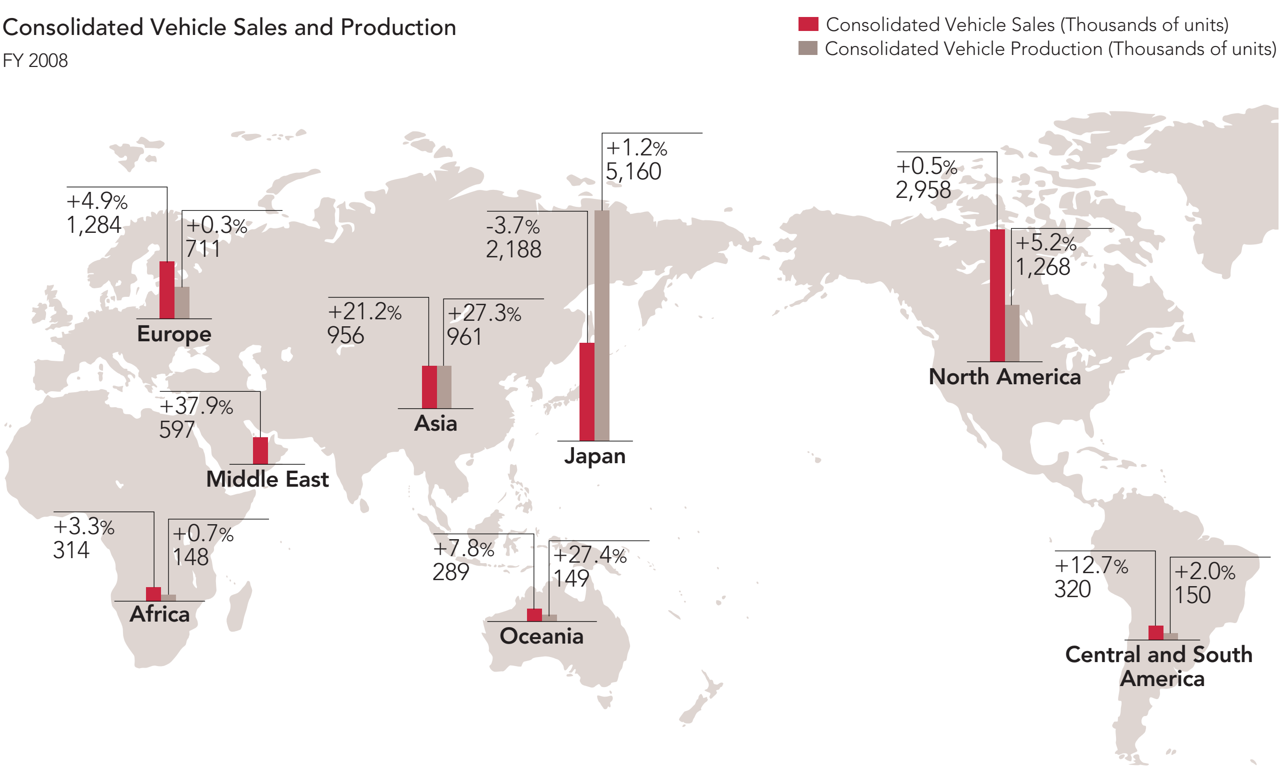
Note: Fiscal years ended March 31

Consolidated Vehicle Production and Sales

	Thousands of units			% change
	2006	2007	**2008**	2007vs2008
Vehicle Production by Region:				
Japan	4,684	5,100	**5,160**	+1.2
Overseas Total	3,027	3,080	**3,387**	+10.0
North America	1,201	1,205	**1,268**	+5.2
Europe	623	709	**711**	+0.3
Asia	836	755	**961**	+27.3
Central and South America	122	147	**150**	+2.0
Oceania	113	117	**149**	+27.4
Africa	132	147	**148**	+0.7
Consolidated Total	7,711	8,180	**8,547**	+4.5
Vehicle Sales by Region:				
Japan	2,364	2,273	**2,188**	-3.7
Overseas Total	5,610	6,251	**6,725**	+7.6
North America	2,556	2,942	**2,958**	+0.5
Europe	1,023	1,224	**1,284**	+4.9
Asia	880	789	**956**	+21.2
Central and South America	233	284	**320**	+12.7
Oceania	251	268	**289**	+7.8
Africa	253	304	**314**	+3.3
Middle East	406	433	**597**	+37.9
Others	8	7	**7**	0.0
Consolidated Total	7,974	8,524	**8,913**	+4.6

Consolidated Vehicle Sales and Production

FY 2008



The Year in Review

Production starts at Tianjin FAW Toyota Engine Co., Ltd. plant No. 2 in Tianjin, China

Camry production starts at Fuji Heavy Industries plant in United States
A line-off ceremony is held to celebrate the first Toyota Camry produced at a Subaru of Indiana Automotive, Inc. (SIA) plant operated in the United States by Fuji Heavy Industries Co., Ltd. The plant has an annual production capacity of 100 thousand vehicles.

Global Cumulative sales of Toyota hybrid vehicles top one million
As of May 31, 2007, some 10 years since the 1997 introduction of the world's first mass-produced hybrid vehicle, the Prius, domestic and international cumulative sales of hybrid vehicles totaled 1,047 million vehicles. Taking advantage of the hybrid system's high degree of applicability, Toyota aims to achieve annual sales of one million hybrid vehicles by the early 2010s.

Toyota and Isuzu Motors reach basic agreement on collaboration for development, supply, and production of small diesel engines
Maximizing use of the technology and expertise of both companies, Toyota and Isuzu Motors Limited agree to jointly develop and produce 1.6-liter engines with an aluminum cylinder block for use in Toyota vehicles sold in European markets.

2007

April	May	June	July	August	September

- Manufacturing
- Development
- Sales
- Events, etc.

Agreement signed for third term of anti-desertification afforestation project in China

Production of new Corolla starts at Tianjin FAW Toyota Motor Co., Ltd. plant No. 3 in Tianjin, China

Flexible-Fuel Corolla sales start in Brazil

In Brazil, where Flexible-Fuel Vehicles (FFVs)* are becoming mainstream, sales and manufacturing subsidiary Toyota do Brasil Ltda. introduces Corolla Flex and Corolla Fielder Flex models capable of running on 100% bioethanol fuel.

*FFV: A vehicle capable of running on fuels that consist of any percentage of ethanol mixed with gasoline or on ethanol alone.

"Sustainable Plant" activities begin, aiming at increasing the sustainability of production operations

Japan certifies Toyota Plug-in Hybrid for public-road tests
A Toyota Plug-in Hybrid Vehicle (PHV) becomes the first PHV to be certified by the Minister of Land, Infrastructure, Transport and Tourism, for use of public-road tests in Japan.

Toyota Fuel Cell Hybrid Vehicle completes 560km Osaka–Tokyo trip without refueling
As part of long-distance road tests, a Toyota Fuel Cell Hybrid Vehicle (FCHV) is driven from Osaka to Tokyo, a distance of approximately 560km, using the air conditioner, without hydrogen refueling.

Toyota displays sustainability concepts at Tokyo Motor Show
At the 40th Tokyo Motor Show, Toyota shows a wide variety of new concept vehicles, including a totally new personal mobility vehicle, a concept car that offers ultra-efficient vehicle packaging like no other, and a concept car that redefines what it means to be environmentally considerate.

Toyota concept vehicles 1/X (top), a redefinition of environmentally considerate, and RiN (bottom), a new focus on promoting well-being.

Toyota designates four overseas subsidiaries as model plants for "Sustainable Plant" activities
Toyota announces the designation of four overseas production subsidiaries, Toyota Motor Manufacturing, Mississippi, Inc. (TMMMS), Toyota Motor Manufacturing (UK) Ltd. (TMUK), Toyota Motor Manufacturing France S.A.S. (TMMF), and Toyota Motor Thailand Co., Ltd. (TMT), as model plants for "Sustainable Plant" activities.

Camry production starts in Russia
Production of the Camry, a key model in the Russian market, starts at Toyota Motor Manufacturing Russia (TMMR) in St. Petersburg. With an initial annual production capacity of 20 thousand vehicles, TMMR plant is Toyota's first vehicle production site in Russia.

Toyota develops Brake Assist that coordinates with vehicle navigation systems

Toyota announces redesigned Crown lineup including a hybrid model

2008

October | November | December | January | February | March

Toyota demonstrates latest advances in vehicle-infrastructure cooperative systems
At the Higashifuji Technical Center in Japan, Toyota demonstrates the latest advances in vehicle-infrastructure cooperative systems that enable communication between cars and elements of their surroundings in an effort to reduce collisions.

Toyota announces sales plans for PHVs with lithium-ion batteries
At the North American International Auto Show in Detroit, Toyota announces plans to commence sales of PHV equipped with lithium-ion batteries to fleet customers in the United States and other markets by 2010. Mass production of the lithium-ion batteries is currently being considered by Panasonic EV Energy Co., Ltd., a joint-venture company of Toyota and the Matsushita Group.

Vehicles capable of running on 10% bioethanol fuel mix certified by Minister of Land, Infrastructure, Transport and Tourism

Toyota exhibits the ultra-efficient iQ at Geneva Motor Show
Reflecting an entirely new approach to high-efficiency vehicle design, Toyota exhibits an ultra-efficient iQ concept car at the 2008 Geneva Motor Show. In addition to exceptional fuel efficiency, the iQ offers a spacious cabin in a body less than three meters long.

Chairman's Message

"Toyota aims to achieve sustained, long-term growth by providing high-quality vehicles to people everywhere, and by contributing to the realization of a bountiful and nurturing society."

At Tokyo Head Office

In fiscal 2008, ended March 31, 2008, Toyota again posted solid business results. On behalf of Toyota's management team, I would like to sincerely thank our shareholders, customers, suppliers, communities, and other stakeholders who support our growth.

As global concern for the environment increases, even more is expected and demanded of automobile manufacturers, including Toyota. In order to address the critical issue of environmental preservation, Toyota continues to develop hybrid and other alternative energy technologies.

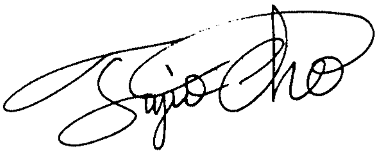
Consistent with our commitment to enriching society, Toyota will increase its pace of vehicle development to better provide high-quality cars to people everywhere. We will also work to encourage economic development in countries around the world through the expansion of our regional operations.

To be a truly global company with understanding and value for other cultures, we have stepped up our human resources development efforts around the world. This endeavor will help us to instill the spirit and values of our long-standing *monozukuri* philosophy of "making things means making people." By doing so, I believe we can contribute to the creation of an international society that preserves the global environment as it fosters economic growth.

Last year, Toyota celebrated its 70th anniversary. Throughout our long history, we have applied cutting-edge technologies and superior craftsmanship to making vehicles that customers love worldwide. We will continue to move forward to achieve sustained, long-term growth while increasing our corporate value.

I look forward to the continued support and understanding of all of our shareholders and investors.

July 2008



Fujio Cho, Chairman

President's Message

"A strong, flexible corporate structure for increased corporate value"

At Tsutsumi Plant, Aichi Prefecture

In fiscal 2008, ended March 31, 2008, Toyota set new records in consolidated net revenues and all income categories. This success enabled us to increase shareholder dividends paid for the ninth consecutive year. I believe this ability to increase revenues and earnings in a severe business environment is the result of the various measures we have implemented.

Although the economic downturn in some developed nations has caused a certain amount of stagnation in today's global automotive industry, markets in resource-rich and emerging countries are rapidly expanding. However, the environment surrounding the automotive industry is undergoing drastic changes marked by sharp increases in raw material costs, sudden currency exchange fluctuations, and increased environmental regulations worldwide.

I firmly believe that this period of intense change presents us with an ideal opportunity to transform Toyota's corporate structure. We are therefore reexamining our business processes and identifying and solving problems one-by-one. This enables us to remain focused on building vehicles that will be accepted by customers worldwide. These challenging times are particularly well suited to the development of strong human resources. We will redouble our efforts to develop our employees in the "*kaizen* mindset" needed to courageously change those things that need to be changed.

There is a phrase that says, "The strongest grass is revealed after swift wind." I believe that the experience of overcoming tough challenges is essential to developing a corporate structure that is strong and flexible enough to adapt to change. As we move forward with efforts to further increase Toyota's corporate value, I ask all of our shareholders and investors for their continued support.

July 2008

Katsuaki Watanabe, President

An Interview with the President

Build a Strong, Flexible Corporate Structure

Katsuaki Watanabe,
President

Market Overview

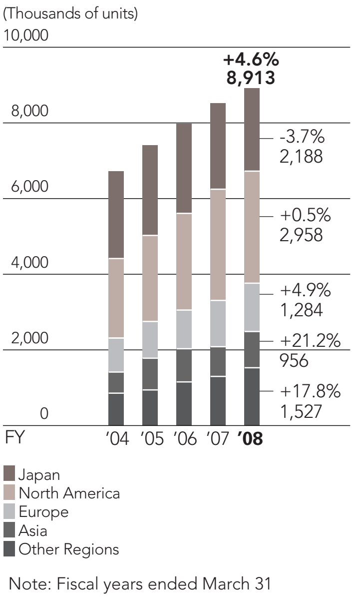
Q. Looking back on fiscal 2008, how would you summarize market trends and Toyota's sales performance?

A. Although market conditions were severe, we sold a record number of vehicles.

In fiscal 2008, we sold 8.91 million vehicles on a consolidated basis, approximately 390 thousand vehicles more than in the previous fiscal year. In Japan, the automobile market continued to contract, but the introduction of numerous new models enabled us to increase our market share despite a decline in sales volume. In North America, the market was flat in the first half of the fiscal year, but declined in the second half due to financial instability caused by rising crude oil prices and the subprime mortgage crisis. Nevertheless, sales of the Camry, which was fully remodeled in 2006, and of the Prius, were robust. As a result, vehicle sales for the year increased slightly and we garnered a record share of the U.S. market. In Europe, growth was sluggish overall, but sales of the Auris and Prius increased in Western Europe and sales of the Camry and Avensis were particularly favorable in Eastern Europe and Russia. In Asia, the IMV* series and the Yaris sold well in Thailand and Indonesia. In other regions, there was vigorous demand for the Corolla and the IMV series in Central and South America and for the Camry in Australia. This resulted in a substantial increase in the number of vehicles sold in Asia and other regions.

* IMV: An abbreviation for Innovative International Multipurpose Vehicle, which refers to sport-utility vehicles (SUVs), pickup trucks, and other multipurpose vehicles that Toyota develops and produces overseas for markets worldwide.

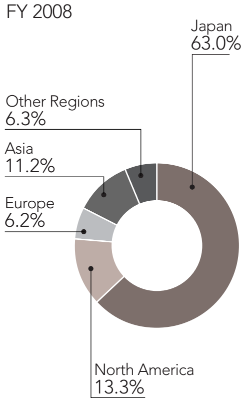
Vehicle Sales by Region



Note: Fiscal years ended March 31

Operating Income by Region

FY 2008



Q. How would you evaluate Toyota's fiscal 2008 revenues?

A. Overall, we are on our way to achieving a geographically balanced profit structure.

Toyota achieved new records in net revenues, operating income, and net income for the fiscal year. Increased revenues from resource-rich and emerging countries in Asia, Central and South America, Oceania, and Africa helped to create a well-balanced revenues structure. Equity in earnings of affiliated companies, which are not reflected in operating income, has also grown substantially. This is especially true in China, where earnings have more than doubled over the past four years. I believe that our growth strategy of utilizing every opportunity across the full product lineup and in all regions has been a success. This is reflected in our business results.

Management Issues

Q. As the price of steel and other raw materials continues to rise, what measures is Toyota taking to reduce costs?

A. From the development phase to final production, we are reviewing every aspect of our operations to find ways to reduce costs.

Despite sharp increases in the price of steel, rare metals and other raw materials, cost reduction measures implemented by the entire Toyota Group, including our suppliers, enabled us to absorb the increase in raw material costs and achieve additional cost reductions of approximately ¥120.0 billion during fiscal 2008. One example of these cost reduction efforts is our VI* activities. In the past, we implemented measures to reduce the cost of individual parts through CCC21 activities. Today, our VI activities extend our cost reduction efforts to the development phase. Additionally, we now work in cooperation with our suppliers to review the design of entire systems in an effort to reduce costs. To reduce the cost of resin-based components, we have reduced the thickness of parts by about half while maintaining the same level of performance and quality. This resulted in a 30% reduction in the quantity of material needed. The cost reduction benefits of VI activities can already be seen in the Crown, which was remodeled this fiscal year, and in the Alphard and the new Vellfire. In addition, we have reduced costs by decreasing the number of different kinds of sheet steel we use by 20% and improving our yield rates.

* VI = Value Innovation

Q. In manufacturing, quality is a primary consideration. What measures is Toyota implementing in this regard?

A. We are striving to improve quality by implementing the concept of "Built-in quality" in development, manufacturing and sales.

As a manufacturer, quality is the Toyota Group's lifeline and we are working with suppliers and dealers to improve. Our main priority is to improve quality from the perspective of our customers. Since 2005, through our Customer First activities, we have focused on the early detection and solution of

problems to prevent them from appearing in products on the market. "Built-in quality" takes this even further. It assures that quality is built-in during each process, so that only the highest quality is passed on to the next process. In the event that a problem occurs during a particular process, the cause is investigated and design plans, facilities and management conditions are reviewed. This ensures that our improvement cycle can also be implemented in upstream processes. This approach has been adopted not only in manufacturing, but also in development, sales and service, and management, leading to a marked decline in the number of initial quality claims in new models. In the future, we intend to strengthen our efforts overseas in this regard.

Q. What measures is Toyota implementing to develop global human resources?

A. We are establishing Global Production Centers (GPCs) worldwide to develop global human resources.

Currently, the Toyota Group includes 53 production sites in 27 countries and regions, with sales operations in over 170 countries and regions. With such geographic diversity, we need to advance human resources development globally. We established a GPC at our Motomachi plant to pass Toyota's unique culture and values on to all employees and enable them to understand the Toyota Way. The GPC developed intensive technical training systems that enable personnel to gain an understanding of advanced skills in a short period of time. In the five years since the GPC opened, more than 10,000 employees from Japan and abroad have learned about our philosophy and technologies. They then pass on this knowledge to staff members at their respective places of employment worldwide. We have also established GPCs in the United States, the United Kingdom, and Thailand to further promote the development of human resources. We are also pursuing the Toyota Way for sales and marketing activities through the *kaizen* process of our Global Knowledge Center (GKC)—established in 2002—and by sharing best practices with distributors and dealers worldwide. In addition, to develop human resources in management, in 2001 we established the Toyota Institute, where executive candidates and members of middle management are trained in putting the Toyota Way into practice.

Growth Strategies

Q. What are Toyota's vehicle sales strategies for the future?

A. We will strive to increase our sales volume by meeting demand in resource-rich and emerging countries.

Recent economic growth has caused automotive markets in resource-rich and emerging countries to grow rapidly, enabling Toyota to record a dramatic increase in sales. Taking advantage of our strengths as an automobile manufacturer with a full lineup of models ranging from minivehicles to SUVs and luxury cars, we will strive to grow our sales in these markets by introducing products that meet diverse regional needs.

In the Chinese market, we will strive to provide a full lineup of models and strengthen our production capabilities. Last year, sales of the Crown and Corolla models manufactured at our Tianjin plant were strong. In addition, sales of the Camry, manufactured at our Guangzhou plant were robust. The Guangzhou plant also began production of the Yaris in May 2008.

In India, where the market is growing rapidly, we will construct a second plant with an annual production capacity of 100 thousand vehicles. Operations are scheduled to start in 2010, with the manufacture of a newly developed compact car designed to meet regional needs.

Sales of Lexus brand models, Land Cruisers, and other vehicles have been favorable in the Middle East. In the expectation that this market will become increasingly important, we aim to further expand supply systems after learning the precise needs of consumers in the region. Markets are also expected to continue growing steadily in Brazil and other Central and South American countries. To meet vigorous demand and create further opportunities for growth in resource-rich and emerging countries, we intend to augment local production capabilities and increase our supply capabilities from Japan and other regions.

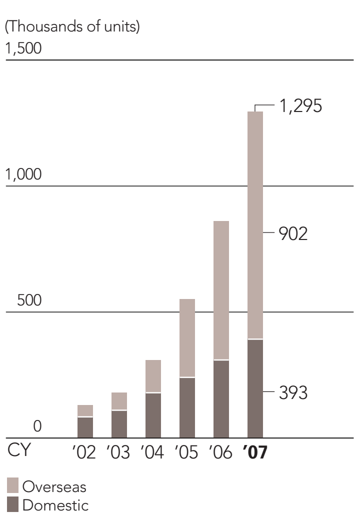
Q. Could you tell us a little about Toyota's environmental efforts, such as improving fuel efficiency and reducing CO_2 emissions?

A. We plan to expand production of hybrid vehicles and introduce ultra-efficient package vehicles.

Hybrid technology contributes to improved fuel efficiency, reduced CO_2 output and cleaner exhaust emissions. The cumulative total of Toyota's hybrid vehicle sales reached 1.5 million in June 2008. Moving forward, we aim to further expand our hybrid lineup and achieve annual sales of one million hybrid vehicles by the early 2010s. At the same time, we will continue to improve hybrid system performance and fuel efficiency, and strive to create lighter, more compact vehicles while cutting costs. Our goal is to equip all of our models with hybrid systems by about 2020.

Meanwhile, the iQ ultra-efficient package vehicle is scheduled to be launched in Japan and Europe in 2008. Marking a radical change in vehicle packaging, this innovative, environmentally friendly vehicle is poised to create a new market. Measuring less than three meters in length yet offering a spacious interior, the iQ was specifically designed to reduce CO_2 emissions and realize outstanding fuel efficiency. To revitalize the market, we plan to continue to introduce similar demand-creating products that boast new value-added features.

Cumulative Hybrid Vehicle Sales



As of the end of December

Measures for Future Growth

Q. What is Toyota's medium-to-long term vision and growth strategy?

A. Our goal is to be a sustainable company that contributes to global sustainable development through our business activities.

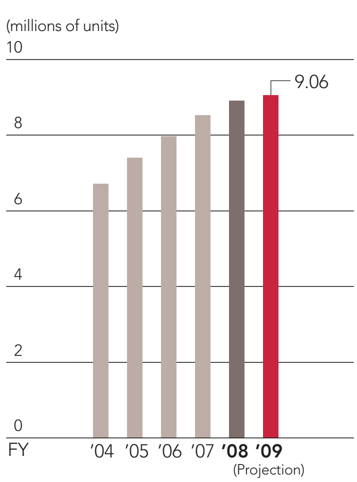
We believe that Toyota must conduct business in a way that contributes to the world as much as possible. More specifically, we are pursuing sustainability in research and development, manufacturing, and nurturing

society in line with our "Sustainability in Three Areas" concept.

In the area of research and development, our key themes are the environment, energy, safety, and excitement, and we are working toward the goal of sustainable mobility in an automotive society where people and the Earth live in harmony. With regard to environmental and energy issues, we have positioned hybrid technology as one of our core technologies. We are working to increase both the number of hybrid vehicles sold and the number of hybrid models available. We have also started public road tests of plug-in hybrids that can be charged from household electrical outlets to accelerate development aimed at their commercial introduction. Moreover, we have developed flexible-fuel vehicles (FFVs) that run on pure bioethanol. Last year in Brazil we launched FFV models, Corolla Flex and Corolla Fielder Flex. In the area of improved safety, we are focusing on everything from preventive safety to collision safety in an effort to create cars that never cause accidents or injury. Innovations so far include a Pre-Crash Safety System that can detect pedestrians ahead as well vehicles approaching from the rear. We will implement side airbag and curtain shield airbag systems to help absorb impact from side collisions.

In addition to creating sustainable vehicles, we are also actively pursuing sustainability in manufacturing. We have initiated "Sustainable Plant" activities that have brought about remarkable improvements in productivity and energy savings at our production facilities. At the Tsutsumi Plant where we manufacture Prius hybrid vehicles, solar power generation is being used to produce approximately 2,000 kilowatts of electric power. Photocatalytic paint applied to the exterior walls of the plant is also expected to help eliminate nitrogen dioxide, sulfur dioxide, and other emissions as effectively as 2,000 poplar trees. Another example of our efforts can be seen at our Takaoka Plant, where in August 2007 we began using revolutionary new production technologies. We also simplified and slimmed down production facilities and downsized the scale of production lines to increase productivity and significantly improve energy efficiency. In addition to carrying out these and other "Sustainable Plant" activities at our domestic plants, we will also gradually introduce them at plants overseas.

Consolidated Vehicle Sales



Note: Fiscal years ended March 31

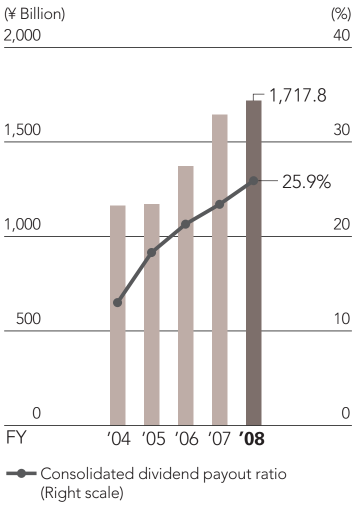
Performance Outlook

Q. What is the outlook for Toyota's business results in fiscal 2009?

A. We anticipate a decline in revenues and earnings due to the steep rise in raw material costs and the effects of foreign exchange rates.

In fiscal 2009, ending March 31, 2009, we anticipate a decline in North American vehicle sales. However, we plan to increase sales across the entire Toyota Group to 9.06 million vehicles, an increase of 147,000 over the previous fiscal year, by growing our sales in resource-rich and emerging countries in Asia, the Middle East, and other regions. In China, where sales are not included in our consolidated sales totals, we plan to sell 640 thousand vehicles, an increase of 170 thousand over the previous year. We therefore anticipate decreases of 4.9% in consolidated net revenues, to ¥25,000.0 billion; 29.5% in consolidated operating income, to ¥1,600.0 billion; and 27.2% in consolidated net income, to ¥1,250.0 billion. (For further details, please refer to the "Message from the Executive Vice President Responsible for Accounting" on page 16.)

Net Income and Consolidated Dividend Payout Ratio



Note: Fiscal years ended March 31

Policies for Returns to Shareholders

Q. What are Toyota's policies with respect to return of profits to shareholders?

A. We will meet our shareholders' expectations through medium-to-long term growth and the aggressive pursuit of returns to shareholders.

We consider the return of profits to shareholders to be one of our key management priorities and will continue to enhance and reinforce our corporate structure toward this goal. Aiming for the early realization of a consolidated dividend payout ratio of 30% in the medium-to-long term, we will make every effort to continuously increase the annual dividend per share. In fiscal 2008, we paid an annual dividend of ¥140 per share, up ¥20 per share from the previous fiscal year, and achieved a consolidated payout ratio for the fiscal year of 25.9%.

We also continue to acquire shares to improve our capital efficiency. Following the Ordinary General Shareholders' Meeting last year, we received authorization to acquire approximately 30 million shares of Toyota stock, at a total cost of ¥200 billion.

At the end of fiscal 2008, we canceled 162 million treasury stocks. We will continue to retain the remaining treasury stock of approximately 300 million shares to secure management flexibility. In principle, we plan to cancel any treasury stocks acquired in the future.

We intend to aggressively invest in research and development to improve our corporate value and to expand our production facilities and sales network while consistently returning profits to shareholders. We will also build a strong yet flexible corporate structure that will enable us to continue providing products that meet the needs of customers worldwide.

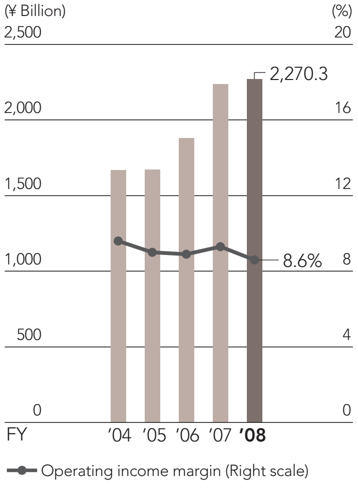
Moving forward, I would like to request our shareholders and investors to view Toyota from a medium-to-long term standpoint, and ask for your continued trust, support and understanding.

Message from the Executive Vice President Responsible for Accounting*

Toward Stable and Long-Term Growth

Mitsuo Kinoshita,
Executive Vice President

Operating Income



Note: Fiscal years ended March 31

Fiscal 2008 Business Results

1. Performance Overview

In fiscal 2008, ended March 31, 2008, Toyota posted significant business results. On a consolidated basis, we recorded a year-on-year increase in vehicle sales of 389,000 units, to 8,913,000 units; a 9.8% increase in net revenues, to ¥26,289.2 billion; a 1.4% increase in operating income, to ¥2,270.3 billion; and a 4.5% increase in net income, to ¥1,717.8 billion. Factors contributing to the increase in operating income totaling ¥410.0 billion were the effects of marketing efforts of ¥290.0 billion and cost reduction efforts of ¥120.0 billion. On the other hand, factors resulting in the decrease in operating income totaling ¥378.3 billion were increases in expenses of ¥330.2 billion and an increase in valuation losses on interest rate swaps stated at fair value by ¥48.1 billion. Moreover, net income increased ¥73.8 billion compared with the last fiscal year, mainly due to a ¥60.6 billion increase in equity in earnings of affiliated companies.

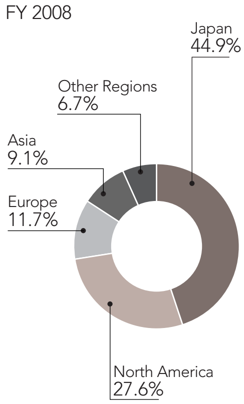
In fiscal 2008, Toyota's profit structure became more geographically balanced, due to growing contributions from resource-rich and emerging countries in Asia, Central and South America, Oceania, and Africa. I believe this can be attributed to Toyota's growth strategy of utilizing every opportunity across its full product lineup and in all regions.

Furthermore, the steady growth of net income—the ultimate profit of Toyota's business—is also a significant point for fiscal 2008, and is the result of rising operating income from our global operations and equity in earnings of affiliated companies. Growth of equity in earnings has been particularly strong and has more than doubled over the past four years, primarily due to the rapid growth of Chinese operations.

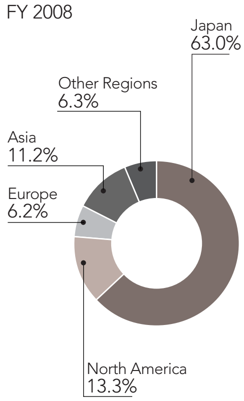
Moving forward, Toyota will continue to build a rock-solid base through improvements in technology, supply, and marketing and their supporting factors, such as product quality, cost, and human resources. Though these efforts and by taking advantage of opportunities, while avoiding or absorbing risks, in all product segments and regions, Toyota will continue to pursue stable, long-term growth.

* Responsibilities include accounting-related operational areas (see Directors and Auditors on page 58)

Net Revenues by Region



Operating Income by Region



2. Performance by Segment

In Japan, net revenues increased 3.4%, to ¥15,315.8 billion, while operating income decreased 1.2%, to ¥1,440.3 billion, which maintained earnings at the same high level recorded in the previous fiscal year. As a result of brisk demand in resource-rich and emerging countries in fiscal 2008, we increased export volumes through our flexible domestic production system.

In North America, net revenues increased 4.4%, to ¥9,423.2 billion, while operating income decreased 32.1%, to ¥305.3 billion. Amidst lower sales in the U.S. automotive market year on year, Toyota's market share in the United States reached a record high of 16.3%. At the same time, the rapid decline in interest rates in the United States during fiscal 2008 resulted in an increase in valuation losses on interest rate swaps stated at fair market value by ¥66.7 billion, to ¥91.4 billion, at sales finance subsidiaries. Excluding the influence of these valuation losses on interest rate swaps, Toyota's operating income in North America remained high, at approximately ¥400.0 billion.

In Europe, Toyota recorded a rise in net revenues of 12.7%, to ¥3,993.4 billion, and a 3.0% increase in operating income, to ¥141.5 billion. In the rapidly growing Russian and Eastern European markets, sales of Camry and Avensis were brisk and contributed to profit growth.

In Asia, net revenues rose 40.2%, to ¥3,120.9 billion, and operating income increased 2.2 times over the previous fiscal year, to ¥256.4 billion. Strong sales of IMV* vehicles and Yaris in Indonesia and Thailand, as well as increased export of IMV vehicles to areas outside of Asia—enabled by the enhanced production capacity in Thailand—all contributed to the expansion of profit.

Central and South America, Oceania, and Africa also posted a large increase in earnings, with increases of 19.3% in net revenues, to ¥2,294.1 billion, and 72.4% in operating income, to ¥143.9 billion. Models adapted to local tastes, such as the Corolla in Brazil, IMVs in Argentina, and the Camry in Australia, helped boost vehicle sales across all markets.

In the financial services segment, net revenues rose 15.2%, to ¥1,498.3 billion, while operating income fell 45.4%, to ¥86.5 billion, mainly due to an increase in valuation losses on interest rate swaps stated at fair value by ¥48.1 billion, to ¥68.0 billion, at sales finance subsidiaries. In addition, the credit crunch in the U.S. market that caused the loan loss ratio to soar in the latter half of 2007 is another principal cause of the decline in the financial services segment income. Toyota has maintained a conservative credit policy. Furthermore, we have strengthened our credit control and debt collection practices since last autumn. In addition, the increase in outstanding loan balance due to the increase in vehicle sales and the improvement in lending margins are contributing to financial services segment earnings.

Equity in earnings of affiliated companies rose 28.9%, to ¥270.1 billion, primarily due to the strong performance by our joint ventures in China and domestic Group companies. Especially, ongoing efforts by our Chinese joint ventures to steadily develop their production and sales foundation, in response to brisk local demand, are contributing greatly to profit.

Consolidated Results Outlook for Fiscal 2009

For fiscal 2009, ending March 31, 2009, we are forecasting vehicle sales of 9.06 million units, net revenues of ¥25,000.0 billion, operating income of ¥1,600.0 billion, and net income of ¥1,250.0 billion on a consolidated basis. This forecast assumes average exchange rates through the fiscal year of ¥100 per US$1 and

* IMV: An abbreviation for Innovative International Multipurpose Vehicle, which refers to sport-utility vehicles (SUVs), pickup trucks, and other multipurpose vehicles that Toyota develops and produces overseas for markets worldwide.

¥155 per € 1. A factor contributing to the increase in operating income prospect is the effect of marketing efforts of ¥180.0 billion. Factors contributing to the decrease in operating income prospect totaling ¥670.3 billion are the effects of changes in currency exchange rates of ¥690.0 billion and increases in expenses of ¥160.3 billion. As for cost reductions, our prospect for fiscal 2009 is ¥0 as we are largely affected by the sharp rise in raw material costs. However, Toyota still maintains a high level of cost reduction capability.

We anticipate capital expenditures* of ¥1,400.0 billion and depreciation costs of ¥1,100.0 billion.

Although we will be faced with an extremely challenging business environment for fiscal 2009, we intend to continue investing actively for our future growth, while further improving efficiency. Moreover, we consider this challenge a valuable opportunity to further *kaizen* and will use this opportunity to turn Toyota into an even more flexible and stronger company.

Financial Strategy

The three key components of Toyota's financial strategy are Growth, Efficiency, and Stability. We believe that the balanced pursuit of these three priorities over the medium-to-long term will allow us to achieve steady and sustainable growth as well as increase corporate value.

1. Growth: Improving technology, supply, and marketing through continued forward-looking investments

We believe developing technology to create new markets, strengthening supply to meet global demands, and improving marketing to accurately reflect market demand require a strong commitment to higher efficiency, and continued active investment in research and development and capital expenditures. In fiscal 2008, the benefits of its forward-looking investments to date enabled Toyota to maintain positive free cash flow even with capital expenditures* of approximately ¥1,480.2 billion and research and development expenses of approximately ¥958.8 billion. We intend to continue to invest actively to ensure long-term sustainable growth.

2. Efficiency: Maintaining and improving profitability and capital efficiency

In fiscal 2008, Toyota's operating income margin was 8.6% and return on equity (ROE) was 14.5%. We will maintain high levels of profitability by introducing products efficiently through the development of core global models, further promoting the innovative VI** activity that have already borne fruit in models released this year, organizing production systems to maintain flexible supply capability to regions with high demand, and developing and introducing highly efficient production engineering of the kind typified by the Takaoka Plant's innovative production line. In addition, we will continue to acquire our own shares with a view to maintaining and improving profitability and capital efficiency.

3. Stability: Maintaining a solid financial base

Toyota maintains a solid financial base by ensuring sufficient liquidity and stable shareholders' equity. At fiscal year-end, liquid assets*** were approximately ¥4,200 billion, while shareholders' equity amounted to approximately ¥11,800 billion. Toyota's sound financial position enables us to maintain levels of capital expenditures and investment in research and

* Excluding leased assets
** VI = Value Innovation
*** Excluding financial subsidiaries

Financial Strategy

1. Growth
• Continue forward-looking investment for growth

2. Efficiency
• Enhance profitability and capital efficiency

3. Stability
• Maintain solid financial base

▼

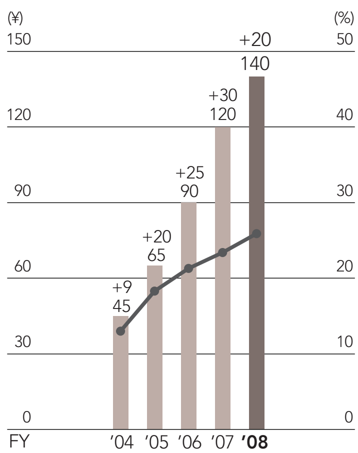
Balanced implementation of 1.–3. over the medium to long term

▼

Sustainable growth

development even under such conditions as rises in raw material costs and drastic changes in foreign exchange rates, and underpins the high credit ratings that enable access to stable, low-cost financing even during the credit crunch. In view of anticipated medium-to-long term growth in automotive markets worldwide, we believe that maintaining adequate liquidity is essential for the implementation of forward-looking investment to improve products and develop next-generation technology, as well as establish production and sales operations for the expansion of businesses worldwide.

Dividends per Share



Consolidated dividend payout ratio (Right scale)

Note: Fiscal years ended March 31

Dividends and Share Acquisitions

Toyota considers the returning of profits to its shareholders as one of its priority management policies and continuously strives to increase per-share earnings through aggressively promoting its business while improving and strengthening its corporate foundations. With respect to the payment of dividends, Toyota declared an annual dividend payment of ¥140 per share at the end of fiscal 2008, which is an increase of ¥20 from the previous fiscal year. This marks the ninth consecutive term of dividend increase—a record high for Toyota. The consolidated dividend payout ratio increased from 23.4% in fiscal 2007 to 25.9% in fiscal 2008. Going forward, Toyota aims to achieve a consolidated dividend payout ratio of 30% at an early stage, as well as strives for continuous growth of dividend per share, giving due consideration to such factors as business results for each term and new investment plans.

With respect to the repurchase of our own shares, all shares authorized at the Ordinary General Shareholders' Meeting held in June 2007, which were the lesser of 30 million shares or the number of shares equivalent to ¥250 billion in cost of repurchase, were repurchased. Furthermore, in February 2008 the Board of Directors authorized an additional share repurchase of the lesser of 12 million shares or the number of shares equivalent to ¥60 billion in cost of repurchase, and as of March 31, 2008, 9.52 million shares at a total cost of ¥59.9 billion were repurchased. In fiscal 2008, Toyota repurchased 49 million shares at a total cost of ¥317 billion. Since Toyota began repurchasing shares in fiscal 1997, the cumulative number of shares repurchased as of the end of June 2008 was approximately 722.04 million shares at a total cost of approximately ¥2,796.0 billion.

To define improvement of capital efficiency, Toyota canceled 162 million shares of its treasury stock at the end of fiscal 2008. Toyota will continue to retain the remaining treasury stock of approximately 300 million shares to achieve flexibility in management, but as a principle, plans to cancel all shares it repurchases in the future. At the Ordinary General Shareholders' Meeting held in June 2008, a resolution was passed to authorize the repurchase of 30 million shares at a total cost of ¥200 billion. Toyota aims to continue repurchasing shares to effectively respond to changes in the management environment and to improve capital efficiency.

Going forward, Toyota hopes to continue meeting shareholders' expectations through medium-to-long term growth and the active return of profits to shareholders.

July 2008

Mitsuo Kinoshita, Executive Vice President

Sustainability in Three Areas

Technology

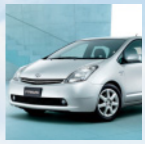
Manufacturing

Society

Contributing to Sustainable Development of Society and the Earth

Since its establishment, Toyota's fundamental philosophy has been to contribute to the creation of a prosperous society by manufacturing automobiles. Today, given the critical risk that the automotive industry faces unless global environment and energy issues are resolved, we are dedicated to the development of vehicles that can coexist in harmony with the Earth.

We believe that the key words to contribute to the sustainable development of society and the Earth are "Sustainability in Three Areas": "research and development," "manufacturing," and "nurturing society." We are working to satisfy the needs of both environmental preservation and economic growth. Eventually, we hope to contribute to the realization of a prosperous, low-carbon society.



Technology

Achieving Sustainable Mobility

Technological innovations hold the key to the environmental preservation and economic growth that are essential for us to contribute to a prosperous society and the Earth. Accordingly, Toyota is conducting research and development aimed at the realization of an automotive society that can coexist with the Earth, or Sustainable Mobility.

Automotive Society Issues and Toyota's Vision for Future

Based on the vision of "Zeronize & Maximize," Toyota aims to minimize the negative impact that vehicles have on the environment, while maximizing their positive aspects, such as convenience, comfort, enjoyment, and excitement. Under the above concept, we are conducting research and development focused on the themes of the "environment," "energy," "safety," and "excitement."

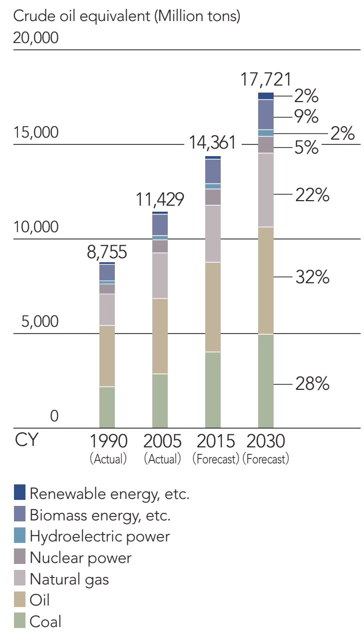
Considering the themes of the environment and energy, we believe that these are the three major issues that must be addressed simultaneously with respect to automobiles:

1. Supporting alternative energy sources;
2. Reducing CO_2 emissions (as a measure to counter global warming); and
3. Improving air quality.

Since fossil fuels are finite resources, it is imperative we use various alternative energy sources. Accordingly, we need to determine the appropriate energy sources for vehicles' practical use as well as develop power trains that are compatible with them, while also reducing CO_2 emissions and ensuring cleaner exhaust emissions.

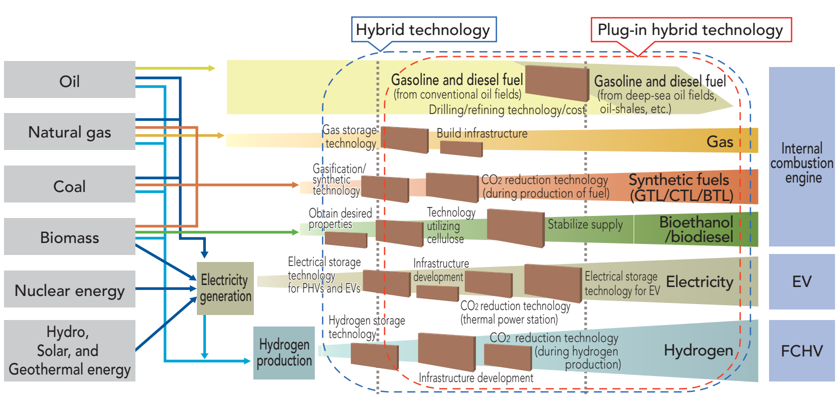
Targeting the realization of an ultimate eco-car, Toyota has long pursued research and development of conventional gasoline and diesel engines, as well as power trains that are compatible with such various energy as biofuel, electricity, and hydrogen. Of these technologies, since hybrid technology can be applied to all types of power trains, we have positioned it as a core technology and are aggressively pursuing its development. Introducing these R&D results in products, we are taking a multifaceted approach to providing "the right vehicle, at the right time, in the right place."

Trends and Forecast of World Energy Demand by Fuel



Source: Agency for Natural Resources and Energy (Japan)

Scenarios for Response to Environmental and Energy Issues



Improving Environmental Performance

» Improving Fuel Efficiency and Reducing CO_2 Emissions

With respect to power trains, by 2010 we will have installed in all our vehicles a new series of gasoline and diesel engines and transmissions to boost fuel efficiency. In addition, we are currently increasing efforts to further evolve hybrid technology and expand our hybrid lineup.

Improving fuel efficiency and reducing CO_2 emissions requires smaller and lighter vehicles. One response to smaller vehicles is the iQ ultra-efficient package vehicle, scheduled to launch in 2008 in Japan and Europe. The iQ offers a spacious cabin capable of seating four passengers, yet the body of the vehicle is less than three meters long. At the 2007 Tokyo Motor Show, we also demonstrated our future vision for weight reduction vehicles in the 1/X concept car. This concept car embodies all of the weight-saving and environmentally friendly technologies that we believe need to be incorporated into all future vehicles.

iQ, ultra-efficient packaging like no other

1/X, a redefinition of "environmentally considerate"

Gasoline Engines

With respect to gasoline engines, we have incorporated cutting-edge electronic control and other technologies, lowered fuel consumption and exhaust emissions for cleaner operation, and improved combustion efficiency to ensure superior engine performance. In 2008, we will complete the renewal of our gasoline engine lineup with the introduction of new 1.3-liter and 2.5-liter engines. The new 1.3-liter engine features the newly developed Toyota Stop & Start System, an improved version of the Toyota Intelligent Idling Stop Systemapplied to the Vitz launched in 2003. This innovative system contributes to improving fuel efficiency and reducing CO_2 output by automatic stalling the engine when the car is stopped.

New 2.5-liter gasoline engine

Diesel Engines

Regarding diesel engines, providing a wide lineup from 1.4-liter to 4.5-liter, Toyota's cumulative production of diesel engines reached 20 million in February 2008, while it has been promoting clean diesel engines particularly in the European market. In addition, we have made a significant contribution to cleaner exhaust gas through the development of the world's first Diesel Particulate—NOx Reduction System (DPNR). This system features technology that simultaneously reduces the emissions level of specific particulate matter (PM) and nitrogen oxide (NOx) in exhaust gas. The application of such advanced technologies reduces CO_2 emissions and ensures cleaner exhaust gas.

Diesel engine with a DPNR

Toyota is Contributing to the Realization of a Sustainable Mobility Society

Masatami Takimoto

Executive Vice President

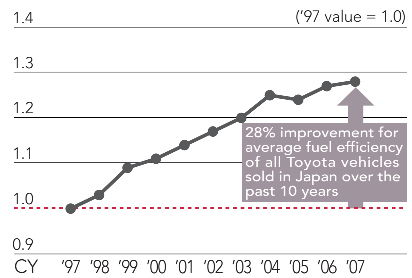
Currently, almost all vehicles run on gasoline or diesel oil because petroleum is readily available and is an economical energy source with an exceptionally high energy density. Sustainable alternative energy sources to petroleum that can help alleviate the problems of CO_2 emissions include biofuels, electricity, and hydrogen. There are, however, many issues that need to be addressed before these energy sources can be utilized for vehicles. This is why, I believe, there is a need to take advantage of the strengths of each energy source, and create the framework for a new sustainable transportation system, or Sustainable Mobility society.

A Sustainable Mobility society could consist of new types of personal mobility systems as a means of transportation, and a new public transportation system, in addition to small EVs, biofuel PHVs, FCHVs, and so on. Each system and vehicle has its own pros and cons. I, however, believe that each will have a role to play according to its respective characteristics. Toyota is committed to continuing to devote its full resources to realize a Sustainable Mobility society.

Toyota Hybrid Technologies

Over the 10 years since we first launched the Prius in 1997, the fuel efficiency of all Toyota vehicles sold in Japan has improved by an average of approximately 28%. This is the result of improved fuel efficiency in both gasoline and diesel vehicles, and increased hybridization.

Progress in Average Fuel Efficiency for all Toyota Vehicles (passenger cars)



Hybrid Vehicles

Toyota's core technology, its hybrid system, contributes to everything from cleaner emissions and lower CO_2 emissions to increased fuel efficiency. As such, we are implementing it in an expanded range of vehicles. In April 2008, cumulative global Prius sales reached one million. In June 2008, cumulative global hybrid sales reached 1.5 million. We are targeting one million hybrid vehicle sales per year by the earliest possible time in the 2010s. Achieving this goal requires a drastic improvement in hybrid system performance and fuel efficiency. We will continue to develop high-performance electric motors, inverters, batteries, and other devices while working on ways to reduce the weight, size, and cost. Our current goal is to develop a hybrid system that is one quarter the size, weight, and the cost of the original Prius.

Crown Hybrid

Harrier Hybrid

Lexus LS600hL

Approach to Diversification of Energy Sources

Since fossil fuels are finite resources, we continue to develop technologies that enable vehicles to use energy sources other than petroleum. Although the situation of these energy sources differs depending on the country and region, we believe that the primary sources of sustainable energy are biofuels, electricity, and hydrogen.

Bioenergy (Flexible-Fuel Vehicles or FFVs*)

Since 2006, Toyota has worked to ensure that all of its models are compatible with E10 fuel (gasoline with 10% ethanol). Furthermore, we have introduced an E100 (100% ethanol) compatible Corolla Flex in 2007, in Brazil, where bioethanol has become a mainstream fuel. Also in 2008, in Thailand we introduced a Corolla and three other models that are compatible with E20 fuel (20% ethanol). We also plan to offer E85 (85% ethanol) compatible Tundra FFVs and Sequoia FFVs in North America, and are working toward the introduction of other FFVs with specifications that satisfy specific regional requirements.

* FFV: A vehicle capable of running on fuels that consist of any percentage of ethanol mixed with gasoline or on ethanol alone.

Corolla Flex

Electricity (PHVs / EVs)

Although electricity supply is easily accessible and electric vehicles (EVs) can run cleanly with no exhaust gas, current EVs require extremely large batteries. Therefore, they face such issues as cost, charging time, and driving range. For the foreseeable future EVs are likely to remain a realistic solution only for short-range commuting. We have been engaged in compact EV development for some time and will accelerate our efforts aimed at their eventual mass production.

Using our own hybrid technology, Toyota has developed Plug-In Hybrid Vehicles (PHVs) boasting significantly extended range using the electric motor alone, with the additional capability of being charged using regular household electricity. Although the vehicle runs on electricity alone for a short drive in urban areas, the gasoline engine provides support at high speeds when required. There is no issue concerning range limitations since PHVs can be operated as normal hybrid vehicles in long-distance drives. Supplying photovoltaically generated electricity to a biofuel PHV that also uses a next-generation biofuel, such as cellulosic ethanol, can in effect reduce CO_2 emissions from driving to near zero.

Economic benefits, including charging at night when electricity prices are low, are expected. In addition, lower CO_2 emissions and decreased fuel consumption will result in minimal atmospheric pollution. Currently, PHVs are considered the most realistic approach using electricity, and tests have already proven the effects of improved fuel consumption. Toyota is accelerating development with the aim of making PHVs popular, and plans to introduce PHVs equipped with lithium-ion batteries (LIBs) to fleet customers by 2010.

Since batteries hold the key to the future development of PHVs and EVs, we have also created a new Battery Research Department to research and develop a next-generation battery that considerably outperforms conventional LIBs. Additionally, we are developing batteries for use in vehicles at Panasonic EV Energy Co., Ltd., a joint venture between Toyota and the Matsushita Group. They are scheduled to commence limited production of LIBs in 2009 and move into full-scale production in 2010.

Plug-in Hybrid Vehicle

Hydrogen (Fuel Cell Hybrid Vehicles or FCHVs)

In June 2008, Toyota introduced the TOYOTA FCHV-adv, installed with newly designed, high-performance fuel cells, Toyota FC Stacks, which were certified by Japan's Ministry of Land, Infrastructure and Transport. Featuring a 25% improvement in fuel efficiency and internally developed high-pressure hydrogen tanks, the vehicles have a cruising range of approximately 830km (in the 10–15 Japan test cycle; 760km in the Jc08 test cycle; as measured by Toyota) on a single fill up of hydrogen. This is over twice the cruising range of its predecessor, the TOYOTA FCHV. Toyota is making every effort to meet the challenges of maintaining reliability, lowering costs, and other issues, having overcome such FCHV technical problems as starting and driving in temperatures as low as -30°C.

TOYOTA FCHV-adv

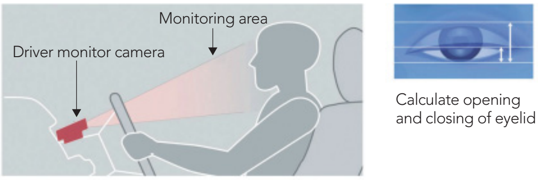
Various Alternative Fuel Issues

Toyota is working to address other various alternative fuel issues. We are using yeast technologies incubated in Japan to develop ethanol production capability based on cellulose, an abundant resource in inedible plant material, to avoid competing against food resources. In the area of biofuel alternatives to diesel, we are collaborating with Nippon Oil Corporation to research biohydrofined diesel oil (BHD), which offers a drastic improvement in oxidative stability, as well as equivalent performance to that of regular diesel oil. In addition, we are researching biomass-to-liquid (BTL) biofuels synthesized from gasified cellulose and other biomass materials.

Approaches to Safety

Toyota is committed to technological developments based on the Integrated Safety Management Concept. We are working not only to improve preventive safety and collision safety but also to offer optimum driver support for every aspect of driving. These efforts include sensors that detect vehicle movements, traffic conditions, and even the state of the driver. Computers are then used to determine the necessary driver support and activate safety systems. For example, the Pre-Crash Safety System uses a millimeter-wave radar to detect obstacles such as vehicles ahead and alerts the driver by sounding a warning buzzer if the system determines that there is a high risk of collision. If the system determines that a collision is unavoidable, it automatically activates Pre-Crash Brake to reduce the vehicle's speed and Pre-Crash Seatbelt to minimize injuries.

The fully remodeled Crown launched in 2008 integrates the Pre-Crash Safety System with an eye monitor that detects whether a driver's eyes are properly open. A camera installed on steering measures facial angle and how wide open the driver's eyes are, and if it judges that a collision may occur, it alerts the driver at an early stage, via a warning buzzer and illuminated display. If the probability of a collision increases and the driver's conditions do not improve, the system applies a warning brake to physically alert the driver.



Through the developments of these and other safety technologies, Toyota is working to create an even safer automotive society.

Driving Simulator

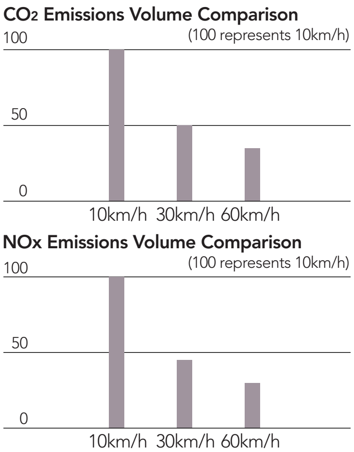
Toyota developed and installed the new "Driving Simulator" at the Higashifuji Technical Center in November 2007, with the goal of reducing traffic accidents and promoting the development of active safety systems. The simulator analyzes driver characteristics during vehicle operation and develops and confirms the efficacy of accident-reduction technologies. The simulator also offers a driving experience that is as real as possible. It is expected to lead to the development of advanced safety technologies and vehicle designs while boosting the speed of development and lowering development costs.

Traffic Environment Research

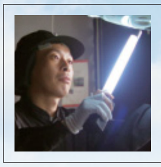
Toyota views people, vehicles, and the traffic environment, and aims to attain the ultimate goal of zero fatalities or injuries in traffic accidents. With respect to the traffic environment, we are pursuing research and testing of a Safety Driving Assistance System. We conducted public road tests of this system in Toyota City, Aichi Prefecture, for the six-month period beginning December 2006. Using 100 vehicles equipped with drive recorders, we collected and analyzed data on drivers' behavior under various driving situations on public roads. The results are being applied to research aimed at reducing traffic accidents through the development of infrastructure cooperative systems that support safe driving by communicating information on road conditions, traffic signals, and other factors with vehicles.

In addition, we are actively participating in the development of the Probe Traffic Information System, which can provide drivers with information ranging from estimated travel time to routes to avoid traffic congestion. This helps smooth traffic flow and consequently reduces CO_2 emissions.

Comparison of Gas Emissions Volume Depending on Average Speed



Source: Japan Automobile Research Institute



Manufacturing

Implementing "Sustainable Plant" Activities

Sustainability is also being pursued at the plants that drive Toyota's manufacturing operations. In July 2007, Toyota initiated "Sustainable Plant" activities with the goal of creating production sites that are in harmony with their natural surroundings.

CO_2 Emission Reduction Results and Targets

The Toyota Environmental Committee was established in 1992. In 1993, it announced the Toyota Environmental Action Plan, which defined specific measures and targets for environmental action. Since then, we have continued to implement environmental and energy-related initiatives, including measures to reduce CO_2 emissions. We are currently conducting activities in line with the 4th Toyota Environmental Action Plan to meet targets set for the year ending March 31, 2011. In fact, we have already achieved the CO_2 emissions reduction target outlined in the plan and are now working to meet a new, even higher target for the year ending March 31, 2011.

CO_2 Emission Reduction Targets, Results and New Targets

Region	CO_2 Emissions	2010 Target	2007 Results	New 2010 Target
Worldwide*	Volume per sales unit	20% reduction from 2001	32% reduction from 2001	35% reduction from 2001
TMC (Japan)	Volume per sales unit	35% reduction from 1990	55% reduction from 1990	60% reduction from 1990
	Volume	20% reduction from 1990	25% reduction from 1990	30% reduction from 1990

* The roughly 120 Toyota Group companies both in Japan and overseas subject to consolidated environmental management
Note: The years mentioned are from April 1 to March 31.

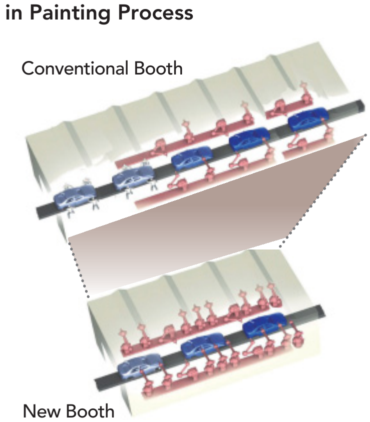
"Sustainable Plant" Activities

Toyota conducts its "Sustainable Plant" activities globally on three broad fronts. The first is energy reduction through the development and introduction of low CO_2-emitting production technologies and daily *Kaizen* (continuous improvement) activities. The second is energy conversion utilizing photovoltaic and other renewable energy sources. The third is tree-planting to foster involvement with local communities and ecological preservation.

Development and Introduction of Low CO_2-Emitting Production Technologies

Toyota's Takaoka Plant is one example of how "simple & slim" thinking can streamline manufacturing operations. We have been working to shorten our assembly lines and dramatically reduce their energy use by taking advantage of innovative production technologies. The new Takaoka Plant Line No. 1 began operations in August 2007. Here, we have achieved CO_2 reductions of approximately 15% by shortening the length of the painting equipment and eliminating the need for the primer-drying oven. We continue to improve these innovative assembly lines to further reduce CO_2 emissions and costs as we introduce the improvements at all Toyota plants worldwide.

Example of Reducing CO_2 Emissions in Painting Process



Through the development and introduction of slim robots, Toyota has shortened the length of the painting process. This has helped to lower CO_2 emissions by reducing energy use.

Utilization of Renewable Energy

At the Tsutsumi Plant, a photovoltaic generation system has been installed with a rated output of 2,000kW, equivalent in the area to approximately 500 houses, and the system is among the largest for any automobile plant in the world*. This system is expected to reduce annual CO_2 emissions an estimated 740 tons, an amount equivalent to that generated by burning 1,500 barrels of crude oil.

* As surveyed by Toyota


Photovoltaic generation system at the Tsutsumi Plant

Tree-Planting Activities

Toyota's goal is to protect ecosystems by planting trees that are indigenous to the given region, thereby helping to support the original local biodiversity. At the Tsutsumi Plant, in May 2008 almost 5,000 local residents and employees and their families participated in planting approximately 50,000 trees. In the future, we will continue to expand these activities on a global scale to meet the challenge of tree-planting and forest growth worldwide.


Tree-planting event at the Tsutsumi Plant

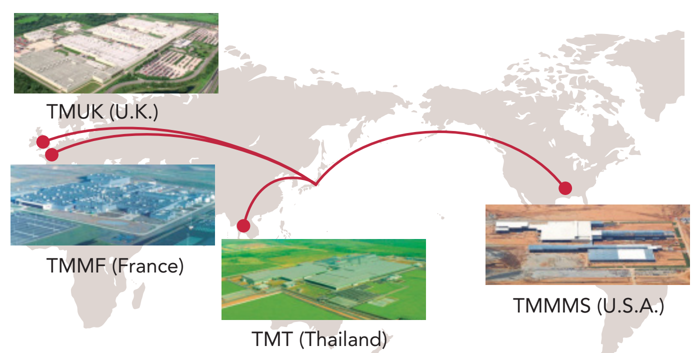
Model Plants Overseas

In the United States, Toyota has designated its Toyota Motor Manufacturing, Mississippi, Inc. (TMMMS) plant (currently scheduled to begin production in 2010) as a model "Sustainable Plant." In addition to incorporating innovative production line technology, it is also actively promoting tree-planting activities as part of its efforts to achieve a harmonious balance between the local community and the environment.

In Europe, Toyota Motor Manufacturing (UK) Ltd. (TMUK) and Toyota Motor Manufacturing France S.A.S. (TMMF) have both been designated model plants, and in Asia, the Ban Pho Plant operated by Toyota Motor Thailand Co., Ltd. (TMT) has been selected as a model plant. The Ban Pho Plant already utilizes a cogeneration system, solar panels, a wastewater recycling system, and waterborne metallic paints at vehicle body paint lines. The plant has maintained zero landfill waste since the beginning of its operations. As part of its plant "greening" activities, an event in August 2008 drew an estimated 10,000 people to plant approximately 100,000 trees in what was Thailand's largest tree-planting event ever.

Photovoltaic generation system at the Ban Pho Plant in Thailand

Worldwide Model Plants for "Sustainable Plant"



Toyota is pursuing "Sustainable Plant" activities worldwide using the Tsutsumi Plant and four overseas plants as models.

Spreading Toyota's Effective Measures and Environmental Awareness Worldwide


Takeshi Uchiyamada

Executive Vice President

From the standpoint of reducing CO_2 emissions, there are numerous examples of the effectiveness of Toyota's "Sustainable Plant." They require less energy to operate, utilize natural energy sources, and, through tree-planting, can contribute to the absorption of CO_2. Participation in tree-planting projects also helps employees develop a deeper appreciation for the environment and spread environmental awareness in the local community.

As soon as we announced the concept of "Sustainable Plant" activities, we began receiving requests to participate from our plants around the world. Certain plants have been designated as model plants, but other plants have begun tree-planting and environmental projects voluntarily and the practice is rapidly spreading. We will continue to expand our "Sustainable Plant" activities to ensure that both Toyota products and the plants that manufacture them are gentle to the environment.

Society

Environmental Activities for a Sustainable Future

Toyota engages in a wide range of nurturing society activities at home and abroad as it seeks to become a trusted global corporate citizen and to contribute to the sustainable development of a prosperous society.

Toward a Sustainable Environment

Toyota implements measures on a national and international level in its efforts to achieve a sustainable level of global environmental preservation. Recognizing the importance of ongoing efforts deeply rooted in local communities, we proactively contribute to society in each country and region through our development programs for forestry, human resources and the local community.

The Forest of Toyota

In 1997, Toyota established the "The Forest of Toyota" in Toyoda City, Aichi Prefecture, to serve as a model for other mountain forest restoration efforts. At the forest, communities are invited to participate in nature experience programs, forest management activities and mountain forest studies.

Elementary students participate in the nature experience program

TOYOTA Shirakawa-Go Eco-Institute

In 2005, Toyota established the "TOYOTA Shirakawa-Go Eco-Institute" in Shirakawa Village, Gifu Prefecture, which works to increase environmental awareness through forest preservation projects and nature experience programs.

TOYOTA Shirakawa-Go Eco-Institute

The Anti-Desertification Initiative in China

Since 2001, Toyota has been involved with afforestation activities in Fengning Man Autonomous County, Hebei Province, China, where significant desertification has occurred. By planting some 2,600 hectares with trees, we made a major contribution to environmental conservation in Fengning Man County, which is an important source of water for Beijing and Tianjin. By taking measures against overgrazing, which causes desertification, and by afforesting with fruit trees, we are conducting the compatibility of community life and environmental conservation. In May 2008, we established the Afforestation Center in order to help foster afforestation experts, disseminate information on greening technology, and enhance the localization of our afforestation activities.

Before afforestation

After afforestation

Rain Forest Restoration Initiatives

Since September 2007, Toyota has been engaged in an afforestation project in the northern region of Luzon, the Philippines, that calls for approximately 1,772 hectares to be planted with trees over a three-year period. Toyota has been implementing measures that include establishing a forest for harvesting fuel wood and planting such fruit trees as mango to encourage those living there to not log in the forest for fuel wood, in hopes of limiting natural forest deforestation. Sharing our afforestation expertise and technologies, we are achieving sustainable afforestation so that local communities and forest restoration can coexist.

Toyota Environmental Activities Grant Program

Started in fiscal 2000, the Toyota Environmental Activities Grant Program supports projects that nurture environment-friendly people and technologies. Now in its eighth year, the program has supported 140 projects in 42 countries worldwide.

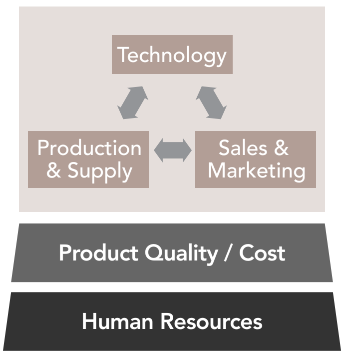
In research and development, manufacturing, and nurturing society, Toyota is committed to sustainability. We will continue to contribute to the sustainable development of society and the Earth as we strive for "Sustainability in Three Areas" and share a keen awareness of environmental issues with people around the world.

Business Overview

Solid Foundations for Future Growth

Establishing a Solid Foundation for Future Growth by Striving to Improve Quality at Every Level

Establishing Solid Foundations



For Toyota to continue to grow, it is essential that it remains committed to achieving the world's highest quality, despite the difficulty of the business environment. This commitment to continuous improvement in the areas of "technology," "production & supply," and "sales & marketing" that drives our growth, and of the "product quality," "cost," and "human resources" that sustain it, has long been a guiding principle at Toyota. We plan to realize future growth by establishing solid foundations for product quality, cost, and human resources. This strategy will enable us to offer the world's best products, the world's fastest and the lowest-cost manufacturing, and the world's best sales and services.

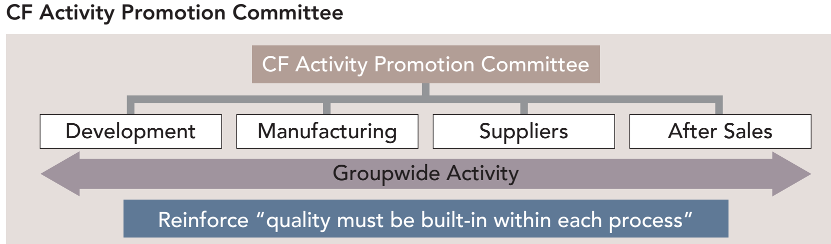
Quality is... Toyota's Lifeline

In 2005, we established a CF* Activity Promotion Committee to create the ideal environment for putting "customers and quality first" and to ensure that defects do not reach the market.

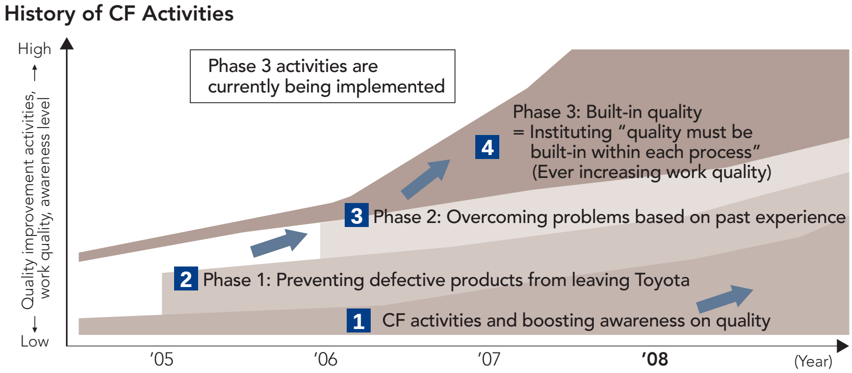
Since January 2007, we have returned to the roots of our CF policy and renewed awareness that "quality must be built-in within each process." This means that quality is confirmed at each stage of the production process, so that only top-quality work is permitted to move on to the next stage. This concept is fundamental to all processes, and although originally applied

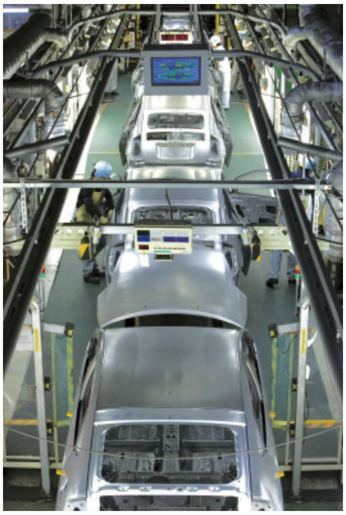
Toyota staff checking a manufacturing process at a supplier

CF Activity Promotion Committee



History of CF Activities





In-line measurement process

In-line measurement using infrared laser

primarily to manufacturing operations, it is now being applied to our management-related divisions and suppliers as well.

* CF = Customer First

» To Maintain and Improve Toyota's Quality

In recent years, the structure and performance of vehicles has become increasingly advanced and complex. At the same time, customers' needs and vehicle usage have become increasingly varied. In response to these trends, we are working to improve quality from the very first phase of development. For example, to improve long-term quality we recover vehicles that have been in use for over 10 years to study how age and use affect various components. We then feed that information back into the design process to further improve quality related to long-term durability. We also drive new cars 100,000–200,000 kilometers in a single year to identify problems and implement countermeasures.

We have increased the use of in-line measurement in production lines to strengthen our ability to "visualize issues." This helps us to prevent defects and understand where and why problems occur. To identify the cause of quality-related issues and implement fundamental solutions, we continuously monitor and analyze product-precision trends that formerly relied on operator skill and intuition.

In our supply chain, Toyota's purchasing division is focused on working with suppliers to improve quality. Through this initiative, Toyota employees in the development, production, and purchasing divisions work together with suppliers to identify and resolve problems so that we can secure high-quality components.

As a result of these efforts, the initial quality of our vehicles continues to improve steadily. However, to provide customers with the world's best products we still have many issues to address. Going forward, we will further strengthen our commitment that "quality must be built-in within each process," to work even more closely with suppliers and overseas companies, and to strive to instill an even higher level of quality awareness in each and every employee to maintain and improve the world's highest quality standards.

Cost is... A Key Source of Toyota's Competitiveness

In recent years, cost competitiveness has become an even more important issue to the automotive industry due to rising raw material costs, increased demand for compact cars, and the introduction of new environmental and safety technologies. We are applying a broad range of cost reduction efforts to absorb the impact of these factors and improve profitability.

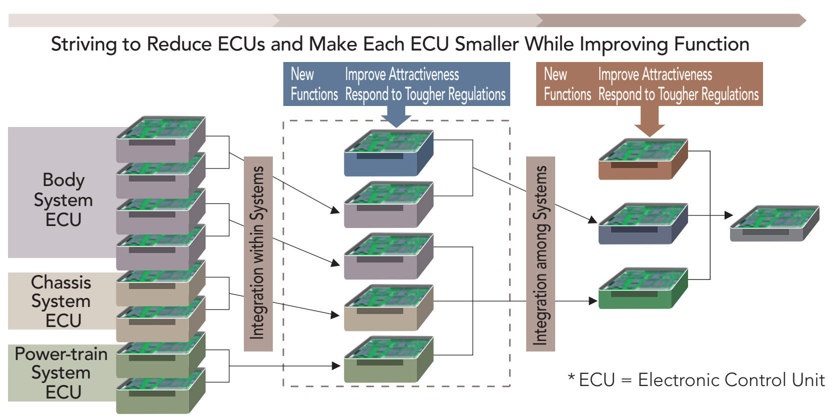
» Cost Reduction Activities

To offer better products at lower prices, Toyota launched CCC21* cost reduction activities in July 2000. Through the project, which has already resulted in cost reductions, we review the cost of producing major vehicle components around the world. With the lowest cost as our target, we then work closely with suppliers from the initial design phase to ensure that each component is produced at the lowest possible cost.

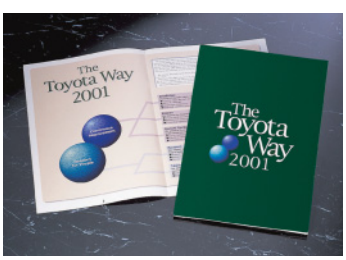
In addition, in April 2005 we began VI** activities—an evolved form of CCC21 activities—in which we look at cost reduction during the development phase, even prior to blueprints. Through VI activities, we consider individual "components" as well as multiple component "systems." We strive to reduce the number of components by integrating components and systems with similar functions and reviewing the functions and placement of systems, such as engine and safety systems. We have also reduced the number of components and the amount of material used without reducing product quality by reviewing production processes that have until now been standard. The effectiveness of VI activities began to materialize with the redesigned Crown in February 2008. In the future, we will give priority to improving the profitability of compact cars and cars manufactured overseas, and will continue to promote cost reduction activities to further increase our cost competitiveness.

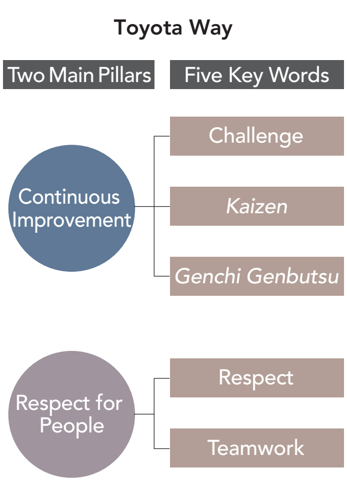
* CCC21 = Construction of Cost Competitiveness for the 21st Century
** VI = Value Innovation

Example of VI Activities: An Integration of ECUs*



* ECU = Electronic Control Unit





Human Resources are... Essential to Improving Quality and Cost Control

At Toyota, we strive to further human resources development based on our philosophy that "making things means making people." In line with our expanding business operations, our employees are more diverse and global human resource development efforts have become a priority issue. So that Toyota employees around the world share the same values, we have codified and shared globally the Toyota Way, our values and methods that were formerly passed on as tacit knowledge.

To provide a stable supply of high-quality products to the world in a timely manner amid fluctuating global demand, we are working to increase the self-reliance of our overseas manufacturing companies.

Technical training at GPC in Thailand

» Self-Reliance Supporting Programs

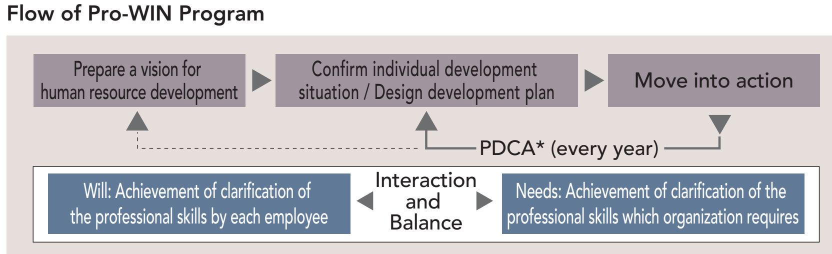
Historically, human resource development for Toyota's overseas production bases took place primarily at plants in Japan, using a "mother plant system." We found, however, that as the number of overseas manufacturing companies grew, disparities in training content began to arise. So, in July 2003 we established a Global Production Center (GPC) at our Motomachi plant in Japan. The goal of the GPC was to instill in employees the awareness that all of our vehicles should offer the same "Made by Toyota" quality regardless of where in the world they are manufactured. At the GPC, skilled technical personnel from plants in Japan teach the standard production methods that form the Toyota production system. They use technical training devices, animations, and other visual aids to enable overseas staff to quickly acquire necessary skills. Between its founding in 2003 and May 2008, approximately 13,000 workers underwent training at the GPC.

In 2006, overseas branches of the GPC were established in the United States, the United Kingdom, and Thailand. This marked a transition from the previous phase, in which Japanese trainers taught overseas personnel, to a new phase in which local trainers pass on their skills to local personnel, as well as personnel from other countries, to promote the spread of technical skills on a global basis.

In addition, our three-year Pro-WIN* program for global human resources development in production-related fields, such as production preparation, production management, logistics, plant operation, and various other fields, trains professional production staff to support greater self-reliance at overseas manufacturing companies.

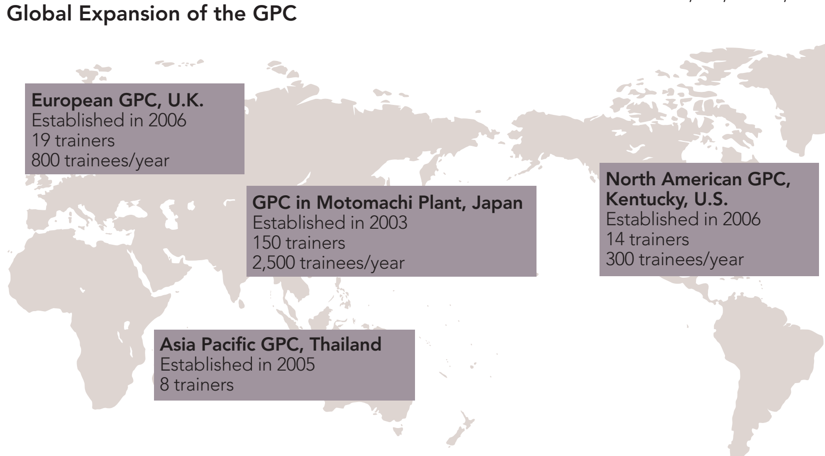
* Pro-WIN = Professional-Will Interact Needs

Flow of Pro-WIN Program



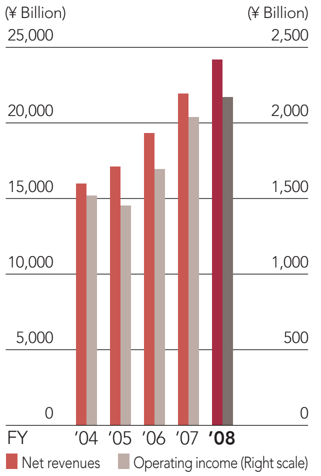
* PDCA = Plan, Do, Check, Action

Global Expansion of the GPC



At a Glance

Net Revenues and Operating Income



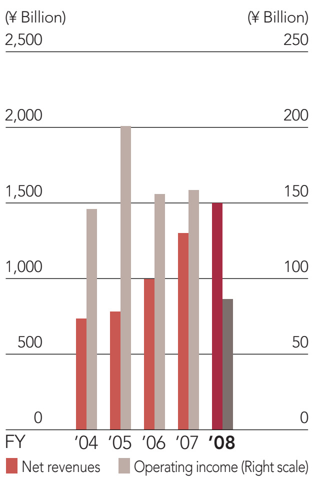
Automotive Operations

Net revenues ¥24,177.3 billion (+10.3%)

Operating income ¥2,171.9 billion (+6.5%)

In fiscal 2008, net revenues increased 10.3%, to ¥24,177.3 billion, with strong vehicle sales in resource-rich and emerging countries such as Asia, Central and South America, Oceania, and Africa, helping to offset stagnant sales in Japan. Operating income was up 6.5%, to ¥2,171.9 billion, mainly due to increases in both production volume and vehicle unit sold, and cost reduction efforts, partially offset by an increase in expenses.

Net Revenues and Operating Income



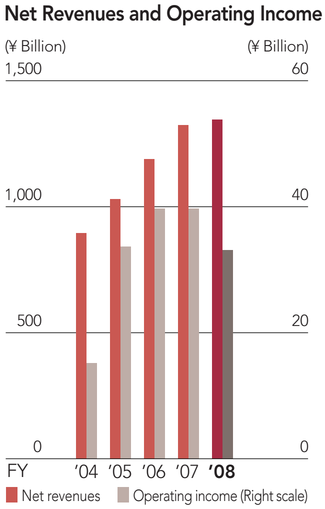
Financial Services Operations

Net revenues ¥1,498.3 billion (+15.2%)

Operating income ¥86.5 billion (-45.4%)

In fiscal 2008, net revenues grew 15.2%, to ¥1,498.3 billion, due to aggressive efforts to expand auto sales financing. Meanwhile despite a steady increase in financing volume, operating income decreased 45.4%, to ¥86.5 billion, due to an increase in valuation losses on interest rate swaps by ¥48.1 billion stated at fair value by sales finance subsidiaries.

Net Revenues and Operating Income



Note: Fiscal years ended March 31

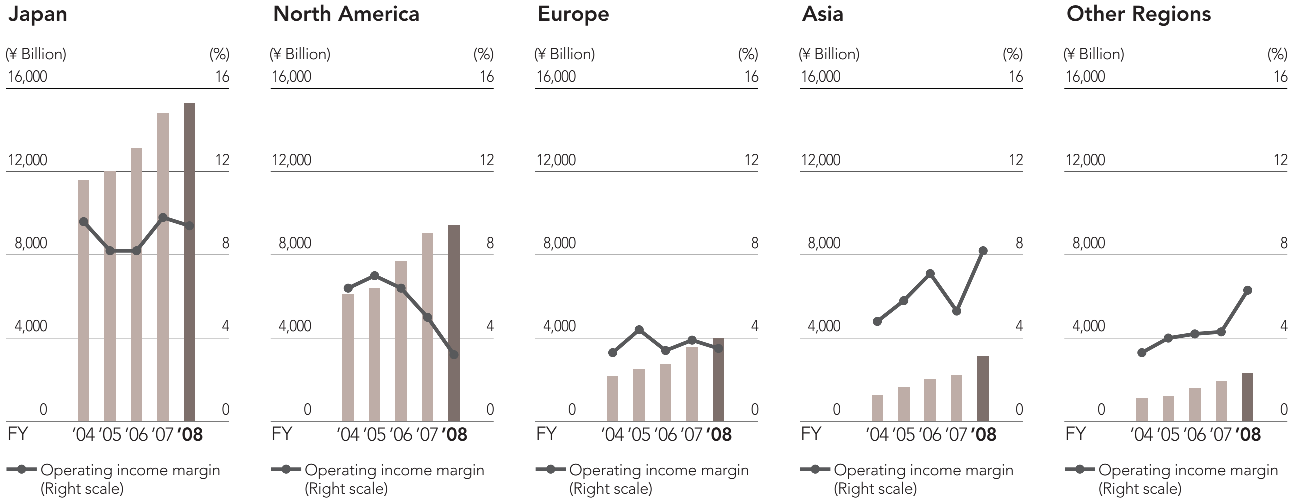
Other Business Operations

Net revenues ¥1,346.9 billion (+1.8%)

Operating income ¥33.0 billion (-16.6%)

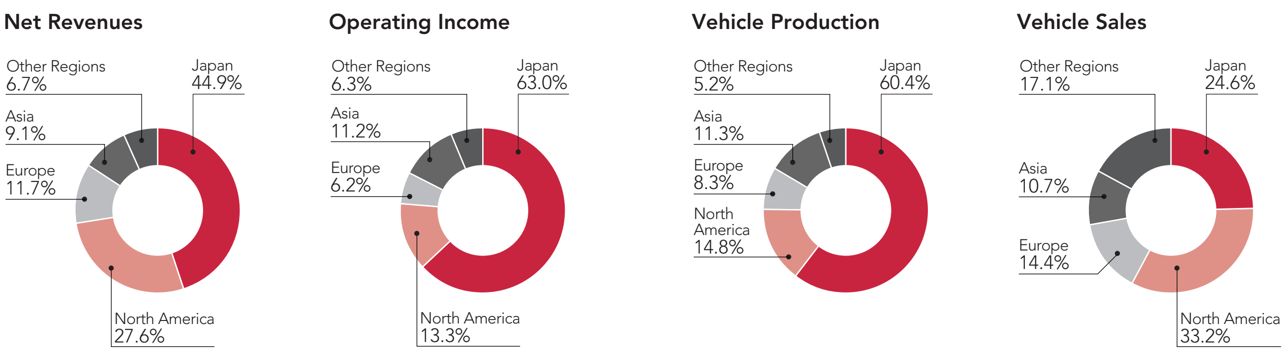
In fiscal 2008, net revenues were up 1.8%, to ¥1,346.9 billion. Operating income decreased 16.6%, to ¥33.0 billion, due primarily to weak sales in the housing business.

Net Revenues by Regions

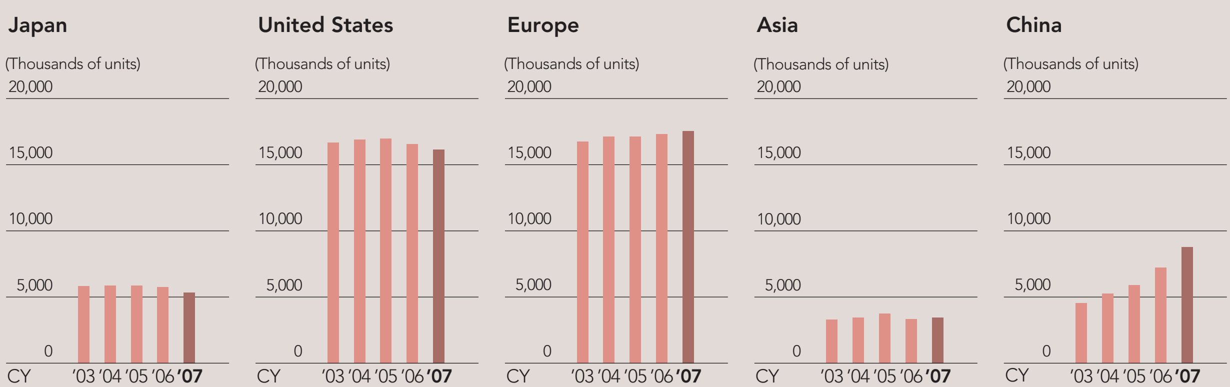


Note: Fiscal years ended March 31

Geographic Segment (FY 2008)



Principal Market Data



Source: Toyota Motor Corporation

Note: Market definitions—Europe: Germany, France, the United Kingdom, Italy, Spain, the Netherlands, Belgium, Portugal, Denmark, Greece, Ireland, Sweden, Austria, Finland, Switzerland, Norway, Poland, Hungary, and the Czech Republic; Asia: Indonesia, Thailand, the Philippines, Malaysia, Singapore, Vietnam, Taiwan, South Korea, and Brunei Darussalam; Japan: minivehicles included.

Automotive Operations

Japan

Revitalizing the domestic market with aggressive measures to stimulate demand

Vanguard

Highlights

- Development and introduction of new market-creating products
- Creation of a more pleasant and enjoyable driving environment

» Performance Overview

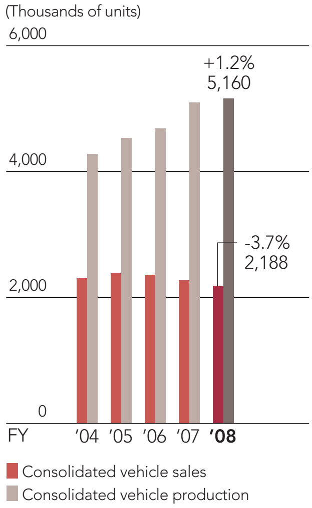
Record market share despite decreased sales

Despite the introduction of new models, sluggish market conditions caused fiscal 2008 consolidated domestic sales, including sales by Daihatsu Motor Co., Ltd., and Hino Motors, Ltd., to decline for the third consecutive year to approximately 2.18 million vehicles. Lexus accounted for approximately 31 thousand of the vehicles sold. While domestic market conditions remained tough, Toyota's market share including minivehicles rose to a record 42.0% in fiscal 2008. In domestic automobile sales rankings (excluding minivehicles) in 2007, the Corolla ranked first for the fifth consecutive year. In addition, six of the 10 best-selling cars were Toyota models.

Sales of two new models, the Mark X ZiO and Corolla Rumion, and the remodeled Voxy, Noah, Premio, and Allion, were strong. Sales of the Crown, a long-running leader in the domestic luxury car market, also increased steadily following a full model change in February 2008.

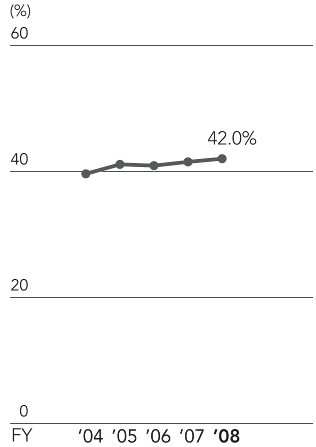
Consolidated domestic production increased 1.2%, to 5.16 million vehicles, due to higher demand overseas.

Consolidated Vehicle Sales and Production in Japan



Note: Fiscal years ended March 31

Domestic Market Share Including Minivehicles



Note: Toyota, Daihatsu, and Hino

Crown

Corolla Rumion

Lexus LS600hL

Mark X ZiO

Land Cruiser

» Market Conditions and Regional Strategy

A two-pronged approach to market revitalization

In fiscal 2008, total domestic new-vehicle sales, including minivehicles, declined 5.3%, to 5.32 million vehicles, while sales excluding minivehicles decreased 4.5%, to 3.42 million vehicles. Overall demand has fallen due to a decline in the number of young people acquiring driving licenses, a decline in the number of elderly drivers, and a tendency for customers to extend their new vehicle replacement cycle, making it difficult to stimulate demand.

To help revitalize the domestic market, we are taking a two-pronged approach that focuses on the development and introduction of more appealing market-creating products and the creation of an environment in which cars can be more fully enjoyed.

While developing and aggressively launching attractive new products that take into consideration fuel economy and the environment, we also offer customers the opportunity to directly experience Toyota's latest advances in vehicle performance through efforts such as the opening of Tressa Yokohama, Toyota's first automall in the Kanto region.

By taking advantage of our four domestic sales channels and our 5,000-store service network, we will promptly respond to structural changes in the market and the opinions of customers by offering attractive products that satisfy a diverse range of needs.

Domestic Lineup Highlights

2007	May	Lexus LS600h and LS600hL launch
	June	Premio and Allion full remodel Voxy and Noah full remodel
	July	ist full remodel
	August	Vanguard launch
	September	Land Cruiser full remodel Mark X ZiO launch
	October	Corolla Rumion launch
	December	Lexus IS F launch
2008	January	Townace and Liteace full remodel
	February	Crown full remodel

Automotive Operations

North America

Strengthening local production capacity and securing profits in the North American market

Corolla

Highlights

- **Development and introduction of new market-creating products which are fuel-efficient and environmentally friendly**
- **Development and application of numerous advanced technologies aimed at achieving sustainable mobility**

» Performance Overview

Record U.S. sales for the 12th consecutive year

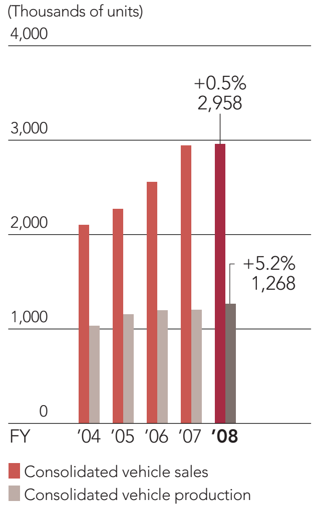
Toyota sold a record 2.95 million vehicles on a consolidated basis in North America in fiscal 2008, overcoming lackluster U.S. market demand with sales efforts that were buoyed by the fully remodeled Tundra pickup truck. Retail sales in the United States amounted to approximately 2.58 million vehicles, a record for the 12th consecutive year, bringing our 2007 U.S. market share to 16.2%.

In fiscal 2008, sales of the Lexus models in North America came to 350 thousand vehicles.

The Camry continued to post strong sales and retained its position as the best-selling passenger vehicle for the sixth consecutive year. As a result of boosted production capacity in Japan, sales of the Prius increased by 30%, to 179 thousand vehicles. Sales were also strong for vehicles such as the Camry Hybrid, Lexus LS, and Yaris.

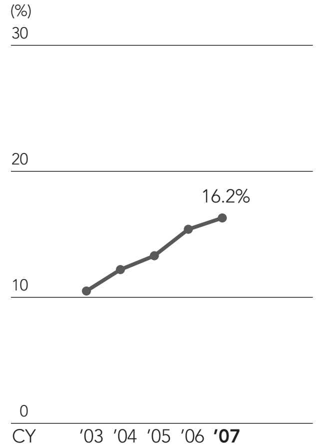
Consolidated production rose 5.2%, to 1.26 million vehicles. Including Toyota-brand vehicles built by unconsolidated company New United Motor Manufacturing, Inc. (NUMMI), and Fuji Heavy Industries' U.S. plant (SIA), production totaled approximately 1.66 million vehicles.

Consolidated Vehicle Sales and Production in North America



Notes: 1. Excluding vehicles produced by NUMMI and SIA (unconsolidated company)
2. Fiscal years ended March 31

Market Share in North America



Note: Calendar years

Tundra

Highlander

Lexus ES

Scion xD

Prius

» Market Conditions and Regional Strategy

Ongoing efforts to secure continuing profits

A solid economic climate and a growing population were expected to support stable vehicle demand in the United States, but factors such as rising gasoline prices began to affect the market significantly in the second half of fiscal 2008. Total U.S. market sales were down 4.1%, to 15.83 million vehicles, in fiscal 2008. Canadian sales, on the other hand, grew for the third consecutive year, to 1.67 million vehicles. Difficult market conditions are anticipated in North America for some time, but demand for fuel-efficient vehicles such as the Yaris and Prius is expected to rise. As market demand shifts from large to small vehicles, we aim to continue to secure profits by implementing a variety of cost reduction measures.

We also intend to strengthen our North American business base by boosting local production capacity. In April 2007, consignment production of the Camry began at SIA. By the fall of 2008, our second Canadian plant is scheduled to open and begin production of the RAV4. Elsewhere, our Mississippi plant is under construction and scheduled to begin production in 2010, aiming to expand North American operations and continue localization. Dedicated to harmonious coexistence with the environment and local communities, and situated in a forested area, the new plant in Mississippi has been designated as a model for "Sustainable Plant" activities.

Annual Production Capacity in North America

Plant	Number of vehicles
Canada first plant (TMMC)	270,000
California (NUMMI)*	400,000
Kentucky (TMMK)	500,000
Indiana (TMMI)	350,000
Texas (TMMTX)	200,000
Fuji Heavy Industries' U.S. plant (SIA)	100,000
Mexico (TMMBC)	50,000
Canada second plant (TMMC)	150,000 (Scheduled start date: fall 2008)
Mississippi (TMMMS)	150,000 (Scheduled start date: 2010)
Annual production capacity in North America in 2010	**2,170,000 vehicles planned**

* The California plant (NUMMI) 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: Full names and corresponding abbreviations are shown in the table of Overseas Manufacturing Companies on page 66.

Automotive Operations

Europe

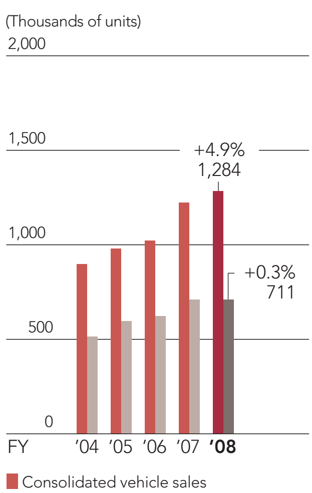
Penetrating a highly competitive market with a strong product lineup and high-quality products

Aygo

Highlights

- **Development and introduction of new market-creating products that are fuel-efficient and friendly to the environment**
- **Development and application of advanced technologies and environmental measures in line with CO_2 emission regulations**

Consolidated Vehicle Sales and Production in Europe



Note: Fiscal years ended March 31

» Performance Overview

Record vehicle sales for the 10th consecutive year

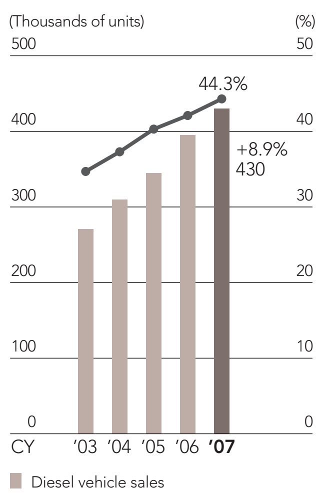
In Europe in fiscal 2008, Toyota benefited from increased sales in Russia and Eastern European countries, and set a sales record for the 10th year in a row by selling 1.28 million vehicles and earning a 5.5% share in the European market (19 countries). Aided by robust sales of the Lexus LS Hybrid, total Lexus sales in Europe reached 62 thousand vehicles.

Among Toyota-brand vehicles, sales of the top-selling Yaris were somewhat weak, but sales of the Prius, Aygo, and Auris—a strategic model introduced in both Europe and Japan—have been strong. In Russia and Eastern Europe, sales of the Camry and Avensis were also robust.

To meet the demand generated by European customers' preference for diesel vehicles, Toyota strengthened diesel vehicle sales efforts. As a result, diesel vehicles accounted for 44.3% of Toyota's European vehicle sales in 2007.

Supported by robust sales, consolidated production in Europe grew 0.3%, to 711 thousand vehicles.

Diesel Vehicle Sales and Diesel Sales Ratio in Europe



Note: Calendar years

» Market Conditions and Regional Strategy

Focusing on environmental technologies to meet regional needs

In fiscal 2008, sales in the European market (19 countries) totaled 17.88

Auris

Avensis

Lexus IS220d

Yaris

RAV4

million vehicles. Europe is one of the world's most challenging automobile markets, due to the large number of manufacturers competing within the region. Customer needs and priorities also differ from country to country, and although there have been some slight fluctuations in regional demand; the overall size of the European market has remained constant at approximately 17 million vehicles for the past several years.

Now, with some European countries having already implemented CO_2 emission taxation schemes, environmental protection and the development of systems to deal with CO_2 emissions will continue to be important priorities.

Anticipating an increasingly competitive market environment in Europe, we will continue to meet customer demand by striving to increase the percentage of diesel vehicles in our sales mix. We are also aggressively introducing hybrid models and planning to launch the iQ ultra-efficient package vehicle, making every effort to promote fuel efficiency and environmental performance to boost brand penetration.

We will also continue to step up local production and procurement. Camry production started at Toyota's plant in Russia in December 2007. Although the plant has a current annual production capacity of 20 thousand vehicles, we are planning to expand to 50 thousand vehicles annually in the future. In addition, we are moving forward with plans to increase production capacity at our manual transmission manufacturing plant in Poland, raising output from the current level of 600 thousand units a year to 720 thousand units by mid-2009.

European Annual Production Capacity in 2008

Plant	Number of vehicles
United Kingdom (TMUK)	285,000
France (TMMF)	270,00
Turkey (TMMT)	150,000
Portugal (TCAP)	10,000
Czech Republic (TPCA)*	100,000
Russia (TMMR)	20,000
Total	**835,000**

* The Czech Republic Plant (TPCA) is a Toyota–PSA Peugeot Citroen joint venture company that is accounted for using the equity method. Production capacity figure shows Toyota-brand vehicles only.

Note: Full names and corresponding abbreviations are shown in the table of Overseas Manufacturing Companies on page 66.

Automotive Operations

Asia

Increasing our presence in Asian markets that are rapidly growing in importance as stable revenue bases

Hilux VIGO

Highlights

- **Expansion of local production and product lineups**
- **Improvement of revenue-generating capabilities**

» Performance Overview

A substantial increase in regional sales and production

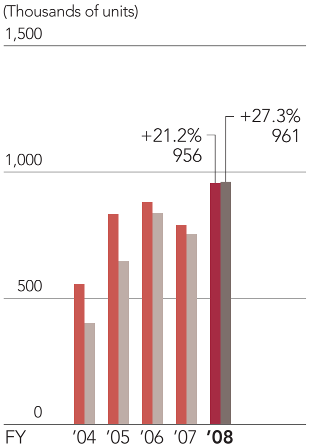
In fiscal 2008, strong demand for the IMV* series and the Yaris in Thailand and Indonesia enabled consolidated sales in Asia to rise dramatically, reaching 956 thousand vehicles, and underscoring the Asian market's increasingly important role in driving Toyota's growth. The expansion of production capacity in Thailand also contributed to increased IMV exports to other regions.

Sales of IMV minivans and pickup trucks, as well as the Camry, continued to be strong. The Corolla, Avanza, and VIOS also performed well. Supported by robust sales, consolidated production increased 27.3%, to 961 thousand vehicles.

* IMV: An abbreviation for Innovative International Multipurpose Vehicle, manufactured using an optimal procurement and production system with key hubs in Asia, South Africa, and Argentina that supply multipurpose vehicles to more than 140 countries and regions.

Consolidated Vehicle Sales and Production in Asia

(Thousands of units)

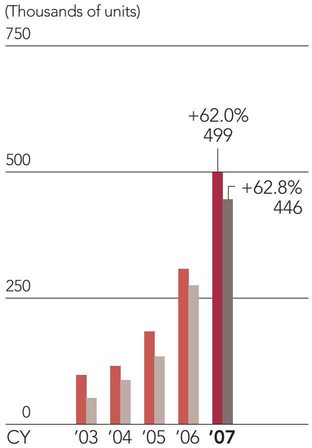


Consolidated vehicle sales
Consolidated vehicle production

Note: Fiscal years ended March 31

Consolidated Vehicle Sales and Production in China

(Thousands of units)



Vehicle sales in China
Vehicle production in China

Note: Calendar years

» Market Conditions and Regional Strategy

Increasing local production to meet steadily growing demand

Asian Markets

Although the automobile market in Taiwan remained relatively stagnant in fiscal 2008, the Indonesian market underwent a recovery, and demand rose steadily in China, which is fast becoming one of the world's most

Camry

important automobile markets. Demand also grew in Thailand, and increased steadily in India.

Toyota's plant in Ban Pho, Thailand, began production of Hilux pickup trucks in January 2007 as part of the IMV project, and now supplies vehicles domestically and exports to other markets worldwide. In addition, Toyota's mainstay IMV production bases in Indonesia, South Africa, and Argentina are steadily increasing production.

In fiscal 2008, IMV series sales worldwide were up 21.6%, to 700 thousand vehicles.

Corolla

Fortuner

Lexus IS300

China Operations

Sales in the rapidly expanding Chinese market totaled 499 thousand* vehicles during the 2007 calendar year. Demand for the Camry was particular strong, with record sales of 160 thousand vehicles in 2007.

In addition to production of the Camry by Guangzhou Toyota Motor Co., Ltd., production of the new Corolla by Tianjin FAW Toyota Motor Co., Ltd., began in May 2007. Production of the Yaris also began at Guangzhou Toyota Motor at the end of May 2008, further expanding our model lineup in China. We will continue to establish mass production operations for core models to support further growth.

We will implement product strategies aimed at increasing regional production capacity and brand value while keeping a cautious eye on future market trends.

* Cumulative total of vehicles produced in China and vehicles imported from Japan

Local Production in China

Area	Start of Operations		Main Products
Changchun	2003	October	Land Cruiser
	2005	December	Prius
Tianjin	2002	October	VIOS
	2004	February	Corolla
	2005	March	Crown
		October	REIZ
	2007	May	New Corolla
Sichuan	2000	December	Coaster
	2003	September	Land Cruiser Prado
Guangzhou	2006	May	Camry
	2008	May	Yaris

Automotive Operations

Central and South America, Oceania, Africa, the Middle East, etc.

Establishing bases in resource-rich and emerging countries such as Central and South America and the Middle East that promise to drive future growth

Hilux

Highlights

- Expansion of local production and supply
- Improvement of revenue-generating capabilities

» Performance Overview

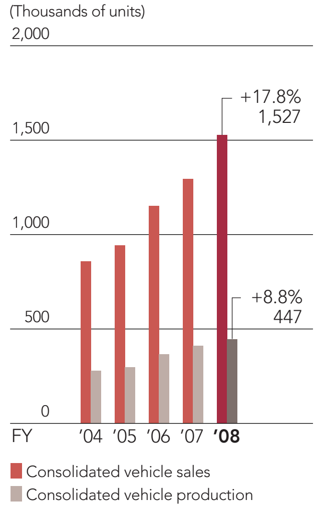
Contributing to steady growth and increased revenues

In fiscal 2008, consolidated sales in Central and South America, Oceania, Africa, the Middle East, and other regions increased 17.8%, or 231 thousand vehicles, to reach a total of 1.52 million vehicles. Growth in Central and South America was fueled by rising sales of IMV pickup trucks and the Yaris, and despite being in the final year of its model life, Corolla sales were flat. In Africa, although sales of the Corolla were weak, substantial growth in sales of the IMV series, Yaris and Avanza models helped boost total sales. In Oceania, sales of the Corolla and Camry were strong, and in the Middle East, sales of the Land Cruiser Wagon, Camry, Corolla, and commercial vehicles like the Hilux rose significantly.

In addition to this increase in sales, production also grew 8.8%, to 447 thousand vehicles.

Consolidated Vehicle Sales and Production in Other Regions

(Thousands of units)



Note: Fiscal years ended March 31

» Market Conditions and Regional Strategy

Serving growing markets with the right car, in the right place, at the right time

Markets in Central and South America continue to grow, particularly in resource-rich and emerging countries in the region. Against this backdrop of high demand, these countries are

Corolla

Land Cruiser

Yaris

Camry

playing a major role in Toyota's IMV project, with expanded production of IMV pickup trucks and SUVs in Argentina. To meet the regional needs of the Brazilian market, where flexible-fuel vehicles (FFVs)* have become mainstream, Toyota began selling a Corolla that can run on ethanol, gasoline, or any combination of the two fuels in May 2007. Toyota views the Brazilian market as one of the driving forces behind continued growth in the future.

In Oceania, the market in resource-rich Australia grew substantially, driving higher sales of the Camry.

In Africa, a slight downturn in South African market was offset by strong sales in Algeria, Egypt, Nigeria, and other countries that allowed us to grow market share, particularly for IMV vehicles and the Yaris.

In other regions, notably the Middle East, markets continued to expand rapidly, and sales increased by 160 thousand vehicles. Sales are expected to increase steadily in the future as the population of young people in these regions grows.

* FFV: A vehicle capable of running on fuels that consist of any percentage of ethanol mixed with gasoline or ethanol alone.

Breakdown of Consolidated Sales for Central and South America, Oceania, Africa, and Other Regions

Area	Thousands of vehicles	YOY change (%)
Central and South America	320	+12.7%
Oceania	289	+7.8%
Africa	314	+3.3%
Middle East	597	+37.9%
Other	7	0.0%
Total	1,527	+17.8%

Financial Services Operations

Financial Services Operations

Toyota continually strives to offer global demand-stimulating automotive financing services to suit the needs of regional markets.

Highlights

- **Strengthening the revenue base to realize sustainable growth**
- **Providing an attractive financial services products**

» Performance Overview

Favorable vehicle sales result in a record number of new contracts

Financial services operations in fiscal 2008 were supported by strong sales of Toyota- and Lexus-brand vehicles, which enabled us to conclude a record 2.73 million new contracts for new and used vehicles, and maintained a 29.2% share of the new vehicle contract market. We faced fierce competition from banks in the first half of the fiscal year, but operations grew steadily as a result of favorable vehicle sales and intense, wide-ranging collaboration among regional management companies, distributors, and dealers. However fiscal 2008 operating income declined to ¥86.5 billion, as the credit environment became more difficult in the second half of the fiscal 2008 following the sub-prime mortgage crisis in the United States. To meet this changing market environment, we have enhanced risk management by reviewing lending standards and loan collection systems, and implementing other measures. We are also making every effort to curb financing costs and improve profitability by funding optimally on a global scale.

» Business and Regional Strategies

Strengthening our revenue bases to realize sustainable growth

Toyota financial services operations are primarily handled by Toyota Financial Services Corporation (TFS), which has overall control of financial services subsidiaries worldwide. TFS provides financial services primarily for vehicle purchases and leases to approximately 7.5 million customers in 32 countries and regions worldwide.

Under the slogan "Growth and Efficiency," the TFS group continued to focus on seven priority issues during fiscal 2008. These included expansion of sales financial services offerings overseas, addressing demand for attractive financial services such as easy payment plans, strengthening the group's domestic revenue base, promotion of comprehensive global risk management and funding, and operational process improvement.

In emerging markets where business is growing at a particularly rapid pace, TFS is aggressively expanding its sales financing operations. Taking the lead over

other automobile manufacturers, in fiscal 2008 a sales finance company was established in Russia to serve customers in Moscow and St. Petersburg. In China, where financing operations have been underway for three years, the TFS group has expanded its customer base to encompass 60% of all Toyota vehicles sold. At the same time, it has extended its operating base to 11 major cities and succeeded in generating a profit in a single fiscal year.

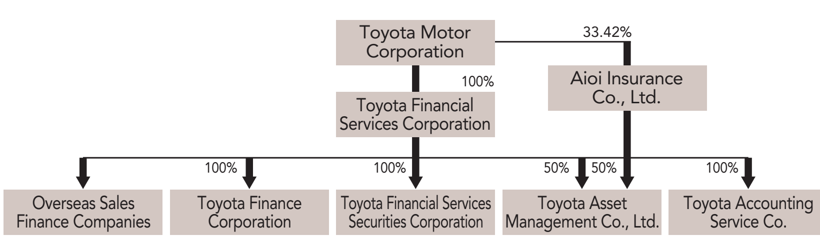
Elsewhere, amid severe business conditions in the major markets of Europe and the United States, TFS aims to further boost earnings growth. To do this, we will need to take find a balance between support for vehicle sales and diverse business risks, and working to secure a profit margin and reduce costs.

In Japan, TFS has expanded its range of fixed residual value products in an effort to provide auto sales financing services that stimulate demand. In addition, we introduced the "*Tsukatte* Back" service that enables customers to apply points gained through the use of their TS CUBIC CARD to monthly auto loan payments. As a result of these initiatives, our retail finance and lease ratio was a record 26.7% in fiscal 2008.

In the credit card business, the steady growth in the number of cardholders to approximately 6.5 million and the issuance of Electronic Toll Collection System (ETC) cards has enabled TFS to maintain its leadership position in the industry. The number of QUICPay small settlement services members has grown to roughly three million. In line with this growth, efforts were also made to expand the card's use in convenience stores, shopping centers, and taxis to improve customer convenience and increase the number of participating merchants.

With respect to the securities business, following the success of the "Toyota Group Equity Fund," other easy-to-understand mutual funds, such as the "Toyota Group Global Bond Fund," were very popular. As a result, the number of accounts grew steadily. TFS is continuing its efforts to provide more accessible asset-building services with a new relaxed concept branch and the opening of offices in new areas around the Tokyo metropolitan area.

Financial Services Operations Organization



Overview of Toyota's Financial Services Operations

(As of March 31, 2008)

Total assets of financial services operations	¥13,942.3 billion
Revenues from financial services operations	¥1,498.3 billion
Operating income	¥86.5 billion
Credit rating	AAA/Aaa
Operating areas	32 countries and regions worldwide
Market coverage	Approx. 90%
No. of customers	Approx. 14 million
No. of employees	Approx. 8,000

Other Business Operations

Other Business Operations

To better contribute to a 21st-century society, Toyota is applying technologies and expertise gained through automobile manufacturing to the development of businesses in related areas, such as in intelligent transport systems, information technology and telecommunications, housing, marine, and environmental products.

PONAM-26L II

» Intelligent Transport Systems Business

One of Toyota's key objectives is "to create automobiles and a mobility society in which people can live with a sense of safety, peace of mind, and comfort." So, we are working to create sustainable mobility in the three areas of safety, the environment, and comfort, while balancing the dual visions of Zeronize and Maximize*.

In fiscal 2008, we continued to work on the development and implementation of ITS by sharing information about vehicle-infrastructure cooperative systems that support safe driving so that traffic accidents of the future can be prevented more effectively than current safety technologies allow.

(Additional details available at:
http://www.toyota.co.jp/en/tech/its/index.html)

* "Zeronize" and "Maximize":
Toyota is striving to minimize negative factors such as environmental degradation and traffic accidents, while at the same time maximizing positive factors such as fun, excitement, and comfort. This is Toyota's vision for developing products and technologies.

» Information Technology and Telecommunications Business

Toyota believes that further integration of vehicles and communication technology is essential to enhancing the convenience and comfort of cars. To this end, we are collaborating on the planning and commercialization of telecommunications-related products and services in partnership with KDDI Corporation, a general telecommunications service provider that offers products ranging from cell phone services to fixed-line telephone domestic and international telecommunications services and Internet-related services. We are also moving ahead with the development of a sales agency business to handle primarily KDDI cell phones.

» e-Toyota Business

Our e-Toyota business operations also continue to strive for greater integration of cars and information technologies. In addition to our GAZOO service, which meets increasingly diverse customer needs by providing information about new and used cars, automotive-related services, and a wide range of other

SINCÉ Cada Mode

topics, we manage internal and external websites that offer information about specific businesses and brands. In fiscal 2008 we launched etoyota.net, a website where customized pages can be automatically created to meet specific customer needs. In April 2008, we launched Toyota Metapolis, an original three-dimensional virtual city that also serves as a new information medium. In the telematics field, we launched G-BOOK mX, a more advanced version of the G-BOOK information service for onboard terminals, and continued to enhance our service offerings. Overseas, we are introducing a cutting-edge customer relationship management (CRM) system called "evolutionary Customer Relationship Building" (e-CRB) in Thailand, Australia, and China as part of our efforts to build long-lasting relationships with customers.

(Additional details available at: http://www.toyota.co.jp/en/more_than_cars/gazoo/index.html)

» Housing Business

Since Toyota entered the housing business in 1975, we have grown our operations by providing homes that offer high durability and earthquake resistance, as well as excellent security, health, and environmental features. In January 2004, Toyota Housing Corporation, which was established to more accurately assess customer needs and enable prompt product planning and sales, began operations. Inspired by the slogan, "Sincerely for You," we will continue to create exceptionally safe and secure homes that provide a lifetime of customer satisfaction.

In fiscal 2008, home sales decreased 6.5% over the previous fiscal year, to 5,431 units.

(Additional details available at: http://www.toyota.co.jp/en/more_than_cars/housing/index.html)

» Marine Business

Drawing on engine technologies and other advanced technologies cultivated during years of automotive manufacturing, Toyota manufactures and sells motorboats and marine engines that offer an exceptional combination of safety, comfort, and environmental friendliness.

Pleasure boat sales efforts during the fiscal year were supported by the introduction of the PONAM-26L II, an upgraded new version of the PONAM-26L pleasure boat.

(Additional details available at: http://www.toyota.co.jp/en/more_than_cars/marine/index.html)

» Biotechnology and Afforestation Businesses

Toyota is making every effort to contribute to the creation of a resource recycling society through its biotechnology and afforestation operations. In fiscal 2008, following previous afforestation and forestry development projects in Australia and China, we began afforestation operations in the Philippines, and initiated a new forest restoration model project in Japan.

In addition, we continue to expand sweet potato cultivation and processing in Indonesia, and our floriculture, roof gardening, and bio-plastic businesses in Japan.

(Additional details available at: http://www.toyota.co.jp/en/more_than_cars/bio/index.html)

Motorsports Activities

At Toyota, motorsports activities are a vital part of our efforts to maximize the joy of driving for everyone. By striving for the highest level of human and technological performance, we want to help people everywhere realize their dreams and share in the boundless excitement that motorsports offer.

In 2007, Toyota participated in Formula One World Championship (F1) races around the globe, National Association for Stock Car Auto Racing (NASCAR) races in the United States, and SUPER GT and Formula Nippon series races in Japan. We also continued to develop racing-oriented hybrid car technologies, and fostered the development of young drivers through the Toyota Young Drivers Program (TDP) and support for entry-level motorsports activities.

2008 Motorsports Activities

In 2008, Toyota continued to participate in F1, NASCAR, SUPER GT, and Formula Nippon races, and to promote motorsports through the TDP for emerging young talents.

F1

- 2008 marked Toyota's seventh year of F1 championship racing, and saw the introduction of a new TF108 car with improved aerodynamics, piloted by Jarno Trulli and Timo Glock, the 2007 GP2 Series Champion. As in 2007, we also supplied the Williams F1 Team with engines for its cars.

NASCAR

- Toyota Camrys participated again this year in the NASCAR Sprint Cup Series and Nationwide Series, and Toyota Tundras again contested the NASCAR Craftsman Truck Series. Enjoying a historic victory in only our second year of Sprint Cup Series, we won the fourth Sprint Cup race held in March 2008 in Atlanta, Georgia.

SUPER GT

- On the domestic racing scene, Toyota Technocraft, Co., Ltd. (TRD), supported teams running the Lexus SC430 in the top GT500 class. In addition, we provided support for four teams racing Lexus IS350 and Toyota MR-S cars in the GT300 class.

Formula Nippon

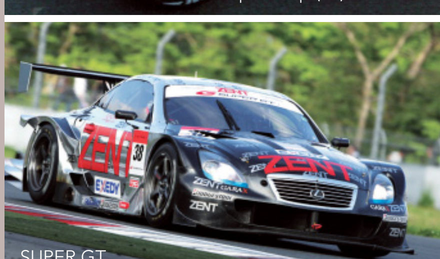
- In Formula Nippon, Japan's premier formula racing category, we supplied RV8-J V8 3-liter engines for 12 cars driven by seven teams.

Toyota Young Drivers Program (TDP)

- TDP again continued its work of training young drivers for F1, GP2, and F3 racing. For 2008, the program has placed 14 promising young candidates worldwide.

Formula One World Championship (F1)


Kamui Kobayashi of TDP in GP2 (middle)


SUPER GT

Courtesy of Toyota Motorsports
NASCAR

Formula Nippon

Management & Corporate Information

Corporate Philosophy

Since its foundation, Toyota has continuously strived to contribute to the sustainable development of society and the Earth by providing high-quality and innovative products and services. The foundations of these endeavors are the Guiding Principles at Toyota and the CSR* Policy: Contribution towards Sustainable Development.

* CSR = Corporate Social Responsibility

» Guiding Principles at Toyota

The Guiding Principles at Toyota (adopted in 1992 and revised in 1997) reflect the kind of company that Toyota seeks to be in light of the unique management philosophy, values, and methods that it has embraced since its foundation. Toyota hopes to contribute to society through its corporate activities based on understanding and sharing of the 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.

» CSR Policy: Contribution towards Sustainable Development

CSR Policy: Contribution towards Sustainable Development (adopted in 2005 and revised in 2008) explains how we adapt the Guiding Principles at Toyota with regards to social responsibilities to our stakeholders.

We, TOYOTA MOTOR CORPORATION and our subsidiaries, take initiative to contribute to harmonious and sustainable development of society and the earth through all business activities that we carry out in each country and region, 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.

We expect our business partners to support this initiative and act in accordance with it.

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 and everyone else we are engaged in business with, in accordance with the letter and spirit of each country's privacy laws. (Guiding Principles 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 Principles 5)** • We support equal employment opportunities, diversity and inclusion for our employees and do not discriminate against them. **(Guiding Principles 5)** • We strive to provide fair working conditions and to maintain a safe and healthy working environment for all our employees. **(Guiding Principles 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 Principles 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. We recognize our employees' right to freely associate, or not to associate, complying with the laws of the countries in which we operate. **(Guiding Principles 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 Principles 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 Principles 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 a stable and long-term growth for the benefit of our shareholders. **(Guiding Principles 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 by seeking to minimize the environmental impact of our business operations, such as by working to reduce the effect of our vehicles and operations on climate change and biodiversity. 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 Principles 3)**
–Community–	• We implement our philosophy of "respect for people" by honoring the culture, customs, history and laws of each country. **(Guiding Principles 2)** • We constantly search for safer, cleaner and superior technology 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 agencies and public authorities. **(Guiding Principles 1)**
–Nurturing Society–	• Wherever we do business, we actively promote and engage, both individually and with partners, in nurturing society activities that help strengthen communities and contribute to the enrichment of society. **(Guiding Principles 2)**

Corporate Governance

» Toyota's Basic Approach to Corporate Governance

Toyota's top management priority is to steadily increase corporate 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. In order to put 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 in January 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 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. In other words, because Toyota's approach is to build in quality through manufacturing processes, enhancing the quality of everyday operations strengthens governance. 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

Toyota introduced its current management system in 2003. The main differences between the current system and the former system are that the current system set a new non-board position of Managing Officers and reduced the number of directors. Under the current system, with respect to various operational functions across the entire Company, the Chief Officers, who are Directors, serve as the highest authorities of their specific operational functions while non-board Managing Officers implement the actual operations. The distinctive feature of this system is that, based on Toyota's philosophy of emphasizing developments on the site, the Chief Officers serve as the link between management and on-site operations, instead of focusing exclusively on management. As a result, this system enables the management to make decisions directly with on-site operations by reflecting on-site personnel opinions on management strategy and swiftly implementing management decisions into actual operations. (As of June 24, 2008)

» 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 Toyota Environment Committee, and the Stock Option Committee. Moreover, Toyota established the CSR Committee by integrating the Corporate Ethics Committee and the Corporate Philanthropy Committee in October 2007.

» Accountability

Toyota has engaged in timely and fair disclosure of corporate and financial information as stated in "Contribution towards Sustainable Development." In order to ensure the accurate, fair, and timely disclosure of information, Toyota has established the Disclosure Committee chaired by an officer of the Accounting Division. The Committee holds regular meetings for the purpose of preparation, reporting and assessment of its annual securities report, quarterly report under the Financial Instruments and Exchange Law of Japan and Form 20-F under the U.S. Securities Exchange Act, and also holds extraordinary committee meetings from time to time whenever necessary.

» Compliance

To firmly establish corporate ethics and ensure strict compliance, Toyota's CSR Committee, consisting of

Directors at the executive vice president level and above as well as representatives of Corporate Auditors, to deliberate important issues and measures relating to corporate ethics, compliance and risk management.

Toyota has also created a number of facilities for employees to make inquiries concerning compliance matters, including the Compliance Hotline, which enables them to consult with an outside attorney, and takes measures to ensure that Toyota is aware of significant information concerning legal compliance as quickly as possible.

Toyota will implement the tenets of ethical business practice by further promoting the "Guiding Principles at Toyota" and the "Toyota Code of Conduct" and by educating and training employees at all levels and in all areas of operations.

To monitor the management, Toyota has adopted an auditor system that is based on the Japanese Corporation Act. 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.

For internal audit, the management and a specialized independent organization evaluate the effectiveness of internal controls over financial reporting in accordance with Article 404 of the U.S. Sarbanes–Oxley Act, applicable to Toyota from the year ended March 31, 2007 to establish a solid system. In order to enhance the reliability of the financial reporting of Toyota, the three auditing functions, audit by Corporate Auditors, internal audit, and accounting audit by Independent External Auditors, aid in conducting an effective and efficient audit through meetings held periodically and as necessary to share information and come to understandings through discussion on audit plans and results.

» Corporate Social Responsibility

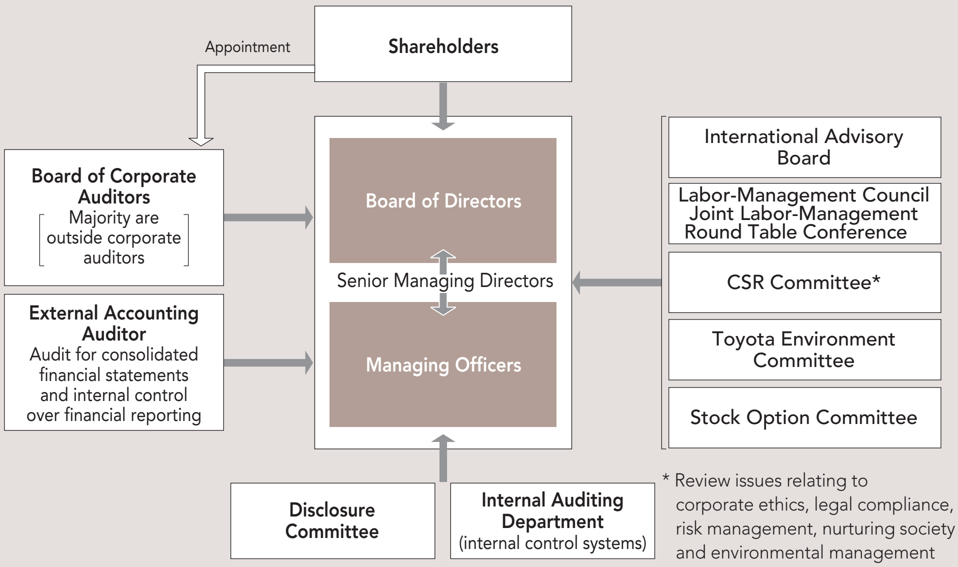
To maintain stable, long-term growth in international society, companies have to earn the respect and trust of society and individuals. Rather than simply contributing to economic development through operational activities, growing in harmony with society is a must for good corporate citizens. Mindful 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 CSR Committee and the Toyota Environment Committee.

» Toyota's Basic Approach to Internal Control

Based on the "Guiding Principles at Toyota" and the "Toyota Code of Conduct," we, together with our

Toyota's Corporate Governance

Emphasizing Frontline Operations + Multidirectional Monitoring



* Review issues relating to corporate ethics, legal compliance, risk management, nurturing society and environmental management

(As of June 24, 2008)

subsidiaries, have created and maintained a sound corporate climate. In our actual operations, we integrate the principles of problems identification ("*Mondai Hakken*") and continuous improvements ("*Kaizen*") into our business operation processes and make continuous efforts to train our employees who put these principles into practice.

With the above understanding, internal control has been developed under the following basic policies.

(1) System to ensure that the Directors execute their responsibilities in compliance with relevant laws and regulations and the Articles of Incorporation
   1) Toyota will ensure that Directors act in compliance with relevant laws and regulations and the Articles of Incorporation, based on the Code of Ethics and other explanatory documents that include necessary legal information, presented on occasions such as trainings for new Directors.
   2) Toyota will make decisions regarding business operations after comprehensive discussions at the Board meetings and other meetings of various cross-sectional decision-making bodies. Matters to be decided are properly submitted and discussed at the meetings of those decision-making bodies in accordance with the relevant rules.
   3) Toyota will appropriately discuss significant matters and measures relating to issues such as corporate ethics, compliance, and risk management at the CSR Committee and other meetings. Toyota will also discuss and decide at the meetings of various cross-sectional decision-making bodies policies and systems to monitor and respond to risks relating to organizational function.

(2) System to retain and manage information relating to performance of duties by Directors
   Information relating to exercising duties by Directors shall be appropriately retained and managed by each division in charge pursuant to the relevant internal rules and laws and regulations.

(3) Rules and systems related to the management of risk of loss
   1) Toyota will properly manage the capital fund through its budgeting system and other forms of control, conduct business operations, and manage the budget, based on the authorities and responsibilities in accordance with the "*Ringi*" system (effective consensus-building and approval system). Significant matters will be properly submitted and discussed at the Board meetings and other meetings of various bodies in accordance with the standards stipulated in the relevant rules.
   2) Toyota will ensure accurate financial reporting by issuing documentation on the financial flow and the control system etc., and by properly and promptly disclosing information through the Disclosure Committee.
   3) Toyota will manage various risks relating to safety, quality, the environment and compliance by establishing rules or preparing and delivering manuals, as necessary, in each relevant division.
   4) As a precaution against events such as natural disasters, Toyota will prepare manuals, conduct emergency drills, arrange risk diversification and insurance as needed.

(4) System to ensure that Directors exercise their duties efficiently
   1) Toyota will manage consistent policies by specifying the policies at each level of the organization based on the medium- to long-term management policies and the Company's policies for each fiscal term.
   2) The Chief Officer, as a liaising officer between the management and operational functions, will direct and supervise Managing Officers based on the management policies and delegate the executive authority over each division to the Managing Officers so that flexible and timely decision making can be achieved.
   3) Toyota from time to time will make opportunities to listen to the opinions of various stakeholders, including external experts, and reflect those opinions in Toyota's management and corporate activities.

(5) System to ensure that employees conduct business in compliance with relevant laws and regulations and the Articles of Incorporation
   1) Toyota will clarify the responsibilities of each organization unit and maintain a basis to ensure continuous improvements in the system.
   2) Toyota will continuously review the legal compliance and risk management framework to ensure effectiveness. For this purpose, each organization unit shall confirm the effectiveness by conducting self-checks among others, and report the result to the CSR Committee.
   3) Toyota will promptly obtain information regarding legal compliance and corporate ethics and respond to problems and questions related to compliance through its corporate ethics inquiry office and other channels.

(6) System to ensure the appropriateness of business operations of the corporation and the business group consisting of the parent company and subsidiaries
   1) Toyota will expand the "Guiding Principles at Toyota"

and the "Toyota Code of Conduct" to its subsidiaries as TMC's common charter of conduct, and develop and maintain a sound environment of internal controls for TMC. Toyota will also promote the "Guiding Principles at Toyota" and the "Toyota Code of Conduct" through personal exchange.

2) Toyota will manage its subsidiaries in a comprehensive manner by clarifying the roles of the division responsible for the subsidiaries' financing and management and the roles of the division responsible for the subsidiaries' business activities. Those divisions will confirm the appropriateness and legality of the operations of the subsidiaries by exchanging information with those subsidiaries, periodically and as needed.

(7) System concerning employees who assist the Corporate Auditors when required
Toyota will establish a Corporate Auditors Department and assign a number of full-time staff to support this function.

(8) Independence of the employees described in the preceding item (7) from Directors
Any changes in personnel in the Corporate Auditors Department will require prior consent of the Board of Corporate Auditors or a full-time Corporate Auditor selected by the Board of Corporate Auditors.

(9) System for Directors and employees to report to Corporate Auditors, and other relative systems
1) Directors, from time to time, will properly report to the Corporate Auditors any major business operations through the divisions in charge. If any fact that may cause significant damage to the Company is discovered, they will report the matter to the Corporate Auditors immediately.
2) Directors, Managing Officers, and employees will report to the Corporate Auditors on the business upon requests by the Corporate Auditors, periodically and as needed.

(10) Other systems to ensure that the Corporate Auditors conducted audits effectively
Toyota will ensure that the Corporate Auditors attend major Board meetings, inspect important Company documents, and make opportunities to exchange information between the Corporate Auditors and Accounting Auditor periodically and as needed, as well as appoint external experts.

» Toyota's Basic Policy and Preparation towards the Elimination of Antisocial Forces

(1) Basic Policy for Elimination of Antisocial Forces
Based upon the "Guiding Principles at Toyota" and the "Toyota Code of Conduct", Toyota's basic policy is to have no relationship with antisocial forces. Toyota will take resolute action as an organization against any undue claims and actions by antisocial forces or groups, and has drawn the attention of such policy to its employees by means such as clearly stipulating it in the "Toyota Code of Conduct."

(2) Preparation towards Elimination of Antisocial Forces
1) Establishment of Divisions Overseeing Measures Against Antisocial Forces and Posts in Charge of Preventing Undue Claims
Toyota established divisions that oversee measures against antisocial forces ("Divisions Overseeing Measures Against Antisocial Forces") in its major offices as well as assigned persons in charge of preventing undue claims. Toyota also established a system whereby undue claims, organized violence and criminal activities conducted by antisocial forces are immediately reported to and consulted with Divisions Overseeing Measures Against Antisocial Forces.
2) Liaising with Specialist Organizations
Toyota has been strengthening its liaison with specialist organizations by joining liaison committees organized by specialists such as the police. It has also been receiving guidance on measures to be taken against antisocial forces from such committees.
3) Collecting and Managing Information concerning Antisocial Forces
By liaising with experts and the police, Divisions Overseeing Measures Against Antisocial Forces share up-to-date information on antisocial forces and utilize such information to call Toyota's employees' attention to antisocial forces.
4) Preparation of Manuals
Toyota compiles cases concerning measures against antisocial forces and distributes them to each department within Toyota.
5) Training Activities
Toyota promotes training activities to prevent damages caused by antisocial forces by sharing information on antisocial forces within the Company as well as holding lectures at Toyota and its Group companies.

Regarding significant differences in corporate governance practices between Toyota and U.S. companies listed on the New York Stock Exchange, please refer to the annual report on Form 20-F filed with the United States Securities and Exchange Commission. Form 20-F can be viewed at the Company's web site (http://www.toyota.co.jp/en/ir/library/sec/index.html).

Directors and Auditors

As of June 24, 2008

» Representative Directors

Chairman of the Board

Fujio Cho

Vice Chairmen of the Board

Katsuhiro Nakagawa

Kazuo Okamoto

President, Member of the Board

Katsuaki Watanabe

Executive Vice Presidents, Members of the Board

(Main operational responsibilities)

Kyoji Sasazu

Business Development / Purchasing / Housing

Mitsuo Kinoshita

Global Audit / Corporate Planning / Research / CSR & Environmental Affairs / Government & Public Affairs / General Administration & Human Resources / Accounting / Information Systems

Takeshi Uchiyamada

TQM Promotion / Strategic Production Planning / Production Engineering / Manufacturing

Masatami Takimoto

Quality Group / Research & Development

Akio Toyoda

Product Management / e-TOYOTA / IT & ITS / Global Planning Operations / Japan Sales Operations / Overseas Sales Operations / Customer Service Operations

» Directors and Auditors

Senior Managing Directors, Members of the Board

(Chief officer, Deputy chief officer, General manager, or Overseas subsidiary of residence)

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

Koichi Ina
Strategic Production Planning Group / Manufacturing Group

Tadashi Yamashina
Motor Sports Div. / Toyota Motorsport GmbH

Atsushi Niimi
Purchasing Group

Shinzo Kobuki
R&D Management Center / Vehicle Control System Engineering Management Div. / Future Project Div. / Battery Research Div. / R&D Group 2

Takahiko Ijichi
Business Development Group / Accounting Group

Hiroshi Takada
Product Management Div. / Global Planning Operations Group

Akira Sasaki
China Operations Group / Toyota Motor (China) Investment Co., Ltd.

Tetsuo Agata
Toyota Motor Engineering & Manufacturing North America, Inc.

Teiji Tachibana
Government & Public Affairs Group / Housing Group

Tadashi Arashima
Europe & Africa Operations Group / Toyota Motor Europe NV/SA

Shinichi Sasaki
e-TOYOTA Div. / IT & ITS Group / Customer Service Operations Group

Mamoru Furuhashi
Government & Public Affairs Group

Akira Okabe
Asia, Oceania & Middle East Operations Group

Satoshi Ozawa
Corporate Planning Div. / Research Div. / CSR & Environmental Affairs Div. / General Administration & Human Resources Group

Yoichiro Ichimaru
Japan Sales Operations Group

Iwao Nihashi
TQM Promotion Div. / Quality Group

Shoji Ikawa
Fuel Cell System Development Group / Production Engineering Group

Yasuhiko Ichihashi
LEXUS Development Center / Toyota Passenger Vehicle Development Center 1 / Toyota Passenger Vehicle Development Center 2 / Toyota Commercial Vehicle Development Center / Technical Administration Group / R&D Group 1

Honorary Chairman, Member of the Board

Shoichiro Toyoda

Senior Advisor, Member of the Board

Hiroshi Okuda

Full-Time Corporate Auditors	Corporate Auditors
Yoshikazu Amano	Yoichi Kaya
Chiaki Yamaguchi	Yoichi Morishita
Masaki Nakatsugawa	Akishige Okada
	Kunihiro Matsuo

Note: Mr. Yoichi Kaya, Mr. Yoichi Morishita, Mr. Akishige Okada, and Mr. Kunihiro Matsuo satisfy the qualifications of Outside Corporate Auditors as provided in Article 2, Item 16 of the "Corporation Act."

Risk Factors

Operational and other risks faced by Toyota that could significantly influence the decisions of investors are set out below. However, the following does not encompass all risks related to the operations of Toyota. There are risk factors other than those given below. Any such risk factors could influence the decisions of investors.

» Industry and Business Risks

The worldwide automotive market is highly competitive.

Toyota faces strong competition from automotive manufacturers in the respective markets in which it operates. Competition is likely to further intensify in light of continuing globalization and consolidation in the worldwide automotive industry. Factors affecting competition include product quality and features, the amount of time required for innovation and development, pricing, reliability, safety, fuel economy, customer service and financing terms. Increased competition may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect Toyota's financial condition and results of operations. Toyota's ability to maintain its competitiveness will be fundamental to its future success in existing and new markets and its market share. There can be no assurances that Toyota will be able to compete successfully in the future.

The worldwide automotive industry is highly volatile.

Each of the markets in which Toyota competes has been subject to considerable volatility in demand. Demand for vehicles depends to a large extent on general, social, political and economic conditions in a given market and the introduction of new vehicles and technologies. As Toyota's revenues are derived from sales in markets worldwide, economic conditions in such markets are particularly important to Toyota. Demand may also be affected by factors directly impacting vehicle price or the cost of purchasing and operating vehicles such as sales and financing incentives, prices of raw materials and parts and components, cost of fuel and governmental regulations (including tariffs, import regulation and other taxes). Volatility in demand may lead to lower vehicle unit sales and increased inventory, which may result in further downward price pressure and adversely affect Toyota's financial condition and results of operations.

Toyota's future success depends on its ability to offer new innovative, price competitive products that meet and satisfy customer demand on a timely basis.

Meeting and satisfying customer demand with attractive new vehicles and reducing the amount of time required for product development are critical elements to the success of automotive manufacturers. The timely introduction of new vehicle models, at competitive prices, meeting rapidly changing customer preferences and demands is fundamental to Toyota's success. There is no assurance that Toyota may adequately perceive and identify changing customer preferences and demands with respect to quality, styling, reliability, safety and other features in a timely manner. Even if Toyota succeeds in perceiving and identifying customer preferences and demands, there is no assurance that Toyota will be capable of developing and manufacturing new, price competitive products in a timely manner with its available technology, intellectual property, sources of raw materials and parts and components, and production capacity. Further, there is no assurance that Toyota will be able to implement capital expenditures at the level and times planned by management. Toyota's inability to develop and offer products that meet customer demand in a timely manner could result in a lower market share and reduced sales volumes and margins, and may adversely affect Toyota's financial condition and results of operations.

Toyota's ability to market and distribute effectively and maintain its brand image is an integral part of Toyota's successful sales.

Toyota's success in the sale of vehicles depends on its ability to market and distribute effectively based on distribution networks and sales techniques tailored to the needs of its customers as well as its ability to maintain and further cultivate its brand image across the markets in which it operates. There is no assurance that Toyota will be able to develop sales techniques and distribution networks that effectively adapt to customer preferences or changes in the regulatory environment in the major markets in which it operates. Nor is there assurance that Toyota will be able to cultivate and protect its brand image. Toyota's inability to maintain well developed sales techniques and distribution networks or a positive brand image may result in decreased sales and market share and may adversely affect its financial condition and results of operations.

The worldwide financial services industry is highly competitive.

The worldwide 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. Increased competition in automobile financing may lead to decreased margins. A decline in Toyota's vehicle unit sales, an increase in residual value risk due to lower used vehicle price, an increase in the ratio of credit losses and increased funding costs are factors which may impact Toyota's financial services operations. Poor performance in Toyota's financial services operations may adversely affect its financial condition and results of operations.

» Financial Market and Economic Risks

Toyota's operations are subject to currency and interest rate fluctuations.

Toyota is sensitive to fluctuations in foreign currency exchange rates and is principally exposed to fluctuations in the value of the Japanese yen, the U.S. dollar and the euro and, to a lesser extent, the Australian dollar, the Canadian dollar and the British pound. 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 affect Toyota's pricing of products sold and materials purchased in foreign currencies. In particular, strengthening of the Japanese yen against the U.S. dollar can have a material adverse effect on Toyota's operating results.

Toyota believes that its use of certain derivative financial instruments including interest rate swaps and increased localized production of its products have reduced, but not eliminated, the effects of interest rate and foreign currency exchange rate fluctuations, which in some years can be significant. Nonetheless, a negative impact resulting from fluctuations in foreign currency exchange rates and changes in interest rates may adversely affect Toyota's financial condition and results of operations.

High prices of raw materials and strong pressure on Toyota's suppliers could negatively impact Toyota's profitability.

High prices for raw materials that Toyota and Toyota's suppliers use in manufacturing their products or parts and components, such as steel, precious metals, non-ferrous alloys including aluminum and plastic parts, may lead to high parts and component prices and production costs that could in turn negatively impact Toyota's future profitability because Toyota may not be able to pass all those costs on to its customers or require its suppliers to absorb such costs.

» Political, Regulatory and Legal Risks

The automotive industry is subject to various governmental regulations.

The worldwide automotive industry is subject to various laws and governmental regulations including those related to vehicle safety and environmental matters such as emission levels, fuel economy, noise and pollution. Many governments also impose tariffs and other trade barriers, taxes and levies, and enact price or exchange controls. Toyota has incurred, and expects to incur in the future, significant costs in complying with these regulations. New legislation or changes in existing legislation may also subject Toyota to additional expenses in the future.

Toyota may become subject to various legal proceedings.

As an automotive manufacturer, Toyota may become subject to legal proceedings in respect of various issues, including product liability and infringement of intellectual property, and Toyota is in fact currently subject to a number of pending legal proceedings. A negative outcome in one or more of these pending legal proceedings could adversely affect Toyota's future financial condition and results of operations.

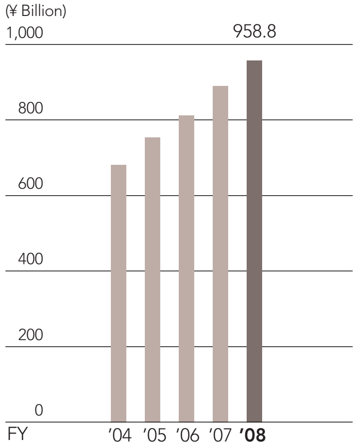
Toyota may be adversely affected by political instabilities, fuel shortages or interruptions in transportation systems, natural calamities, wars, terrorism and labor strikes.

Toyota is subject to various risks associated with conducting business worldwide. These risks include political and economic instability, natural calamities, fuel shortages, interruptions in transportation systems, wars, terrorism, labor strikes and work stoppages. The occurrence of any of these events in the major markets in which Toyota purchases materials, parts and components and supplies for the manufacture of its products or in which its products are produced, distributed or sold, may result in disruptions and delays in the operations of Toyota's business. Significant or prolonged disruptions and delays in Toyota's business operations may result to adversely affect Toyota's financial condition and results of operations.

R&D and Intellectual Property

Toyota R&D is dedicated to the development of attractive, affordable, high-quality products for customers worldwide, and the intellectual property that R&D generates is a vital management resource that Toyota utilizes and protects to maximize its corporate value.

R&D Expenses

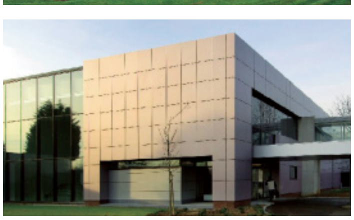


Note: Fiscal years ended March 31

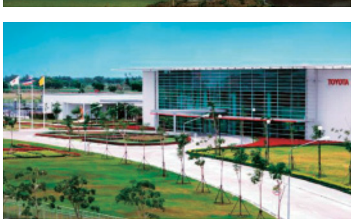
R&D Facilities

Head Office Technical Center (Toyota City, Aichi Prefecture, Japan)

Toyota Motor Engineering & Manufacturing North America, Inc. (Ann Arbor, Michigan, U.S.A.)



Toyota Motor Europe R&D/ Manufacturing (Brussels, Belgium; Derby, U.K.)



Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd. (Samutprakan, Thailand)

R&D Guiding Principle

- **Providing clean and safe products and to enhance the quality of life of people everywhere in all our activities.**
- **Pursuing advanced technological development in a wide range of fields, we pledge to provide attractive products and services that respond to the needs of customers worldwide.**

» R&D Activities

The overriding goal of Toyota's product and technology development is to minimize the negative aspects of driving, such as the burden it places on the environment and traffic accidents, and maximize the positive aspects, such as driving pleasure, comfort, and convenience. By achieving these sometimes conflicting goals to a high degree, we want to open the door to the automobile society of the future.

To assure efficient progress in R&D activities, we coordinate and integrate all phases, from basic research to forward-looking technology and product development. With respect to basic research issues such as energy, the environment, information technology, telecommunications, and materials, projects are regularly reviewed and evaluated in consultation with outside experts to ensure efficient R&D cost control. And with respect to forward-looking and leading-edge technology and product development, we establish cost-performance benchmarks on a project-by-project basis to ensure efficient development investment.

Basic Research	Development theme discovery Research on basic vehicle-related technology
Forward-Looking and Leading-Edge Technology Development	Technological breakthroughs related to components and systems Development of leading-edge components and systems ahead of competitors
Product Development	Primary responsibility for new model development Development of all-new models and existing-model upgrades

» R&D Expenditures

In fiscal 2008, R&D expenditures totaled ¥958.8 billion, up 7.6% from the previous fiscal year, representing 3.6% of consolidated net revenues. Investment in R&D has been at a high level in recent years because we have been aggressively engaged in forward-looking and leading-edge technology development. Moving forward amid intensifying technological competition on a global scale, we will continue to maintain a high level of R&D investment to maintain our competitive advantage in technology and products.

» R&D Organization

In Japan, R&D efforts are led by Toyota Central Research & Development Laboratories, Inc., which works closely with a range of Toyota Group companies that includes Daihatsu Motor Co., Ltd., Hino Motors, Ltd., Toyota Auto Body Co., Ltd., and Kanto Auto Works, Ltd.

Overseas, technical centers in North America, Europe, Asia, and Oceania, as well as a range of design and motorsports R&D centers around the world, give us strong global R&D capabilities that enable us to build cars that better meet the needs of customers in each region.

Note: See page 64 for details.

Intellectual Property Guiding Principle

- **Through appropriate acquisition and utilization of intellectual property, our goal is to secure greater corporate flexibility and to maximize corporate value.**

» Intellectual Property Activities

Toyota's competitiveness springs from the forward-looking R&D stance that drives its product and technology strengths. Underlying each new product to emerge from R&D, there are always intellectual properties such as inventions and expertise that we value as important management resources.

» Intellectual Property Systems

R&D and intellectual property activities are organizationally linked to enable us to focus on selected development themes and build a strong patent portfolio. We have also established an Intellectual Property Committee made up of management, R&D, and intellectual property to secure and utilize important intellectual property that contributes to management, or that deliberate response policies to management risks related to intellectual property.

» Intellectual Property Strategies

Toyota carefully analyzes the patent situation in each area of research to formulate more effective R&D strategies. We identify R&D projects in which Toyota should acquire patents, and file relevant applications as necessary to help build a strong global patent portfolio.

In addition, we want to contribute to sustainable mobility by promoting the spread of technologies with environmental and safety benefits, and as such, we take an open stance to patent licensing, and grant licenses when appropriate terms are met. A good example of this policy can be seen in the area of hybrid technology, one of our core technologies related to environmental energy, where we have licensed hybrid-related patents to other companies.

R&D Organization

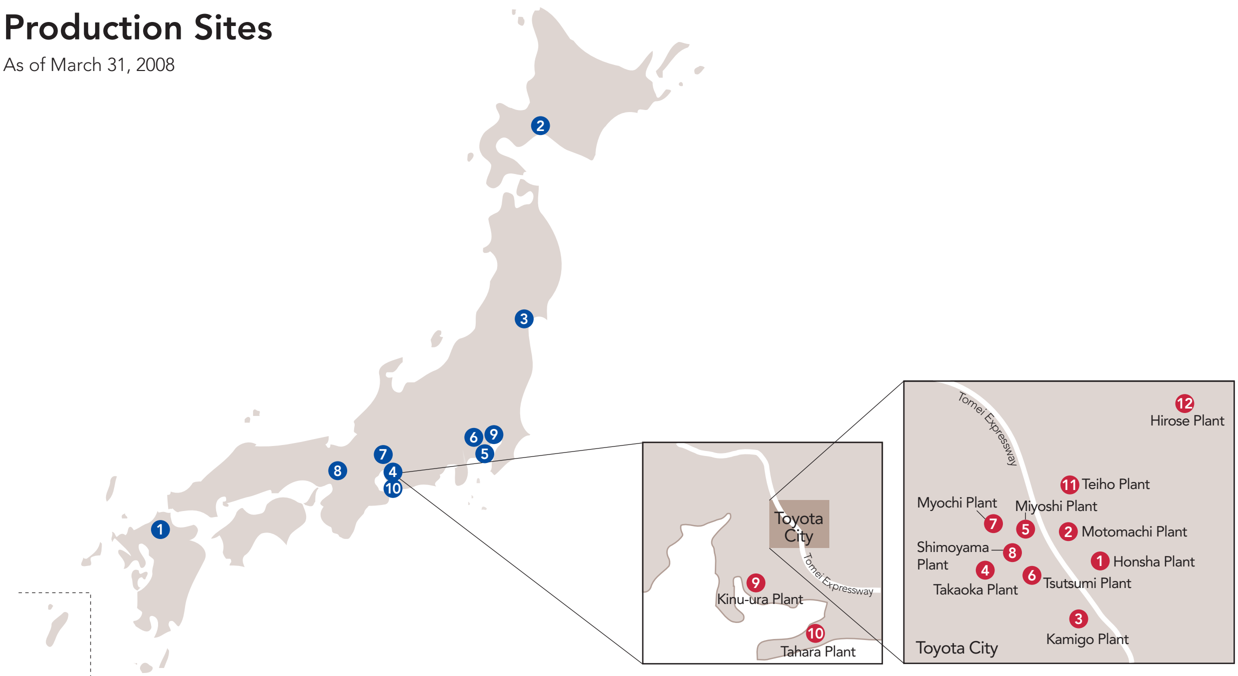
As of March 31, 2008

Japan			
Company name	Activities	Location	Establishment
1 Head Office Technical Center	Planning and design of products, prototypes manufacture, and vehicle evaluation	Toyota City, Aichi Prefecture	1954
2 Toyota Central Research & Development Laboratories, Inc.	Fundamental technical research for the Toyota Group	Aichi County, Aichi Prefecture	1960
3 Higashi-Fuji Technical Center	Research and development of new vehicle technology and new engine technology	Mishuku, Susono City, Shizuoka Prefecture	1966
4 Shibetsu Proving Ground	Testing and evaluation of automobiles under high speed and cold conditions	Onnebetsu, Shibetsu City, Hokkaido	1984
U.S.A.			
Company name	Activities	Location	Establishment
5 Toyota Motor Engineering & Manufacturing North America, Inc.*	Vehicle development & evaluation, certification, collection of technical information	Ann Arbor, Plymouth (Michigan), Torrance, Gardena (California), Wittmann (Arizona), Washington, D.C.	1977
6 Calty Design Research, Inc.	Exterior / Interior / Color design	Newport Beach (California)	1973
Europe			
Company name	Activities	Location	Establishment
7 Toyota Motor Europe R&D/Manufacturing	Vehicle development & evaluation, certification, collection of technical information	Brussels (Belgium), Derby (U.K.)	1987
8 Toyota Europe Design Development	Exterior / Interior / Color design	Nice (France)	2000
9 Toyota Motorsport GmbH	Development of Formula One race cars, participation in F1 races	Cologne (Germany)	1993
Asia Pacific			
Company name	Activities	Location	Establishment
10 Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd.	Vehicle development, software development, evaluation, collection of technical information	Samutprakan Province (Thailand)	2003**
11 Toyota Technical Center Asia Pacific Australia Pty., Ltd.	Vehicle development, software development, evaluation, collection of technical information	Melbourne (Australia)	2003

* Toyota Motor Engineering & Manufacturing North America, Inc., is a consolidated R&D and manufacturing company in North America.
** The year shown is as at the establishment of Toyota Technical Center Asia Pacific Thailand Co., Ltd., which integrated with Toyota Motor Asia Pacific Co., Ltd., to establish Toyota Motor Asia Pacific Engineering and Manufacturing Co., Ltd., in April 2007.

Production Sites

As of March 31, 2008



Production Plants

Name	Main products	Start of operations
1 Honsha Plant	Chassis for Land Cruiser, forged parts, hybrid system motors	1938
2 Motomachi Plant	Crown, Mark X, Estima	1959
3 Kamigo Plant	Engines	1965
4 Takaoka Plant	Corolla, Vitz, ist, Ractis, Scion xD	1966
5 Miyoshi Plant	Transmission-related parts, cold-forged and sintered parts	1968
6 Tsutsumi Plant	Prius, Camry, Corolla, Premio, Allion, WISH, Scion tC	1970
7 Myochi Plant	Suspension cast parts, suspension machine parts	1973
8 Shimoyama Plant	Engines, turbochargers, VVT, catalytic converters	1975
9 Kinu-ura Plant	Transmission-related parts	1978
10 Tahara Plant	LS, LS Hybrid, GS, GS Hybrid, IS,IS-F, GX, RAV4, 4 Runner, Land Cruiser, Land Cruiser Prado, Vanguard/engines	1979
11 Teiho Plant	Mechanical equipment, moldings for forging and casting and resin-molding dies	1986
12 Hirose Plant	R&D and production of electronic control devices, IC	1989

Manufacturing Subsidiaries and Vehicle Assembly Affiliates

Company name	Main products	Voting rights ratio* (%)	Capital (¥ Million)	Start of operations
1 Toyota Motor Kyushu, Inc.	Harrier, Harrier Hybrid, Highlander, Highlander Hybrid, IS, ES, RX/ engines, hybrid system motors	100.00	45,000	1992
2 Toyota Motor Hokkaido, Inc.	Automatic transmissions, transfers, aluminum wheels, etc.	100.00	27,500	1992
3 Toyota Motor Tohoku Co., Ltd.	Mechanical and electronic parts	100.00	3,300	1998
4 Toyota Auto Body Co., Ltd.	Land Cruiser, Coaster, Hiace, Estima, Estima Hybrid, Ipsum, Regiusace, Prius, Voxy, Noah, Alphard, LX	56.31	10,371	1945
5 Kanto Auto Works, Ltd.	Crown, Century, Comfort, Corolla, Corolla Fielder, Corolla Rumion, Belta, Isis, SC, BLADE, Auris, Scion xB	50.79	6,850	1946
6 Central Motor Co., Ltd.	Corolla Axio, Raum, Yaris	76.61	1,300	1950
7 Gifu Auto Body Industry Co., Ltd.	Hiace, Himedic	100.00	1,175	1940
8 Daihatsu Motor Co., Ltd.	bB, Probox, Succeed, Passo, Porte, Rush, SIENTA	51.66	28,404	1907
9 Hino Motors, Ltd.	Dyna, Dyna Diesel Hybrid, Toyoace, Toyoace Diesel Hybrid, Prado, FJ Cruiser	50.44	72,717	1942
10 Toyota Industries Corporation	Vitz, RAV4, Mark X ZiO	24.85	80,462	1926

* Including voting rights by the subsidiaries determined in accordance with U.S. GAAP
Note: The blue numbers show the locations of the Head Offices of manufacturing subsidiaries and vehicle assembly affiliates.

Overseas Manufacturing Companies

As of March 31, 2008

North America

Country/Area	Company name	Main products	Voting rights ratio* (%)	Start of operations
Canada	1 Canadian Autoparts Toyota Inc. (CAPTIN)	Aluminum wheels	100.00	1985
	2 Toyota Motor Manufacturing Canada Inc. (TMMC)	Corolla, Matrix, RX	100.00	1988
U.S.A.	3 TABC, Inc.	Catalytic converters, steering columns, stamped parts	100.00	1971
	4 New United Motor Manufacturing, Inc. (NUMMI)**	Corolla, Tacoma	50.00	1984
	5 Toyota Motor Manufacturing, Kentucky, Inc. (TMMK)	Camry, Camry Hybrid, Camry Solara, Avalon/engines	100.00	1988
	6 Bodine Aluminum, Inc.	Aluminum castings	100.00	1993
	7 Toyota Motor Manufacturing, West Virginia, Inc. (TMMWV)	Engines, transmissions	100.00	1998
	8 Toyota Motor Manufacturing, Indiana, Inc. (TMMI)	Tundra, Sequoia, Sienna	100.00	1999
	9 Toyota Motor Manufacturing, Alabama, Inc. (TMMAL)	Engines	100.00	2003
	10 Toyota Motor Manufacturing, Texas, Inc. (TMMTX)	Tundra	100.00	2006
	11 Subaru of Indiana Automotive, Inc. (SIA)**	Camry	—	2007***
Mexico	12 Toyota Motor Manufacturing de Baja California S.de R.L.de C.V. (TMMBC)	Tacoma/Truck beds	100.00	2004

Central and South America

Country/Area	Company name	Main products	Voting rights ratio* (%)	Start of operations
Argentina	13 Toyota Argentina S.A. (TASA)	Hilux, Fortuner	100.00	1997
Brazil	14 Toyota do Brasil Ltda.	Corolla, Corolla Fielder/Hilux underbody parts	100.00	1959
Colombia	15 Sociedad de Fabricacion de Automotores S.A.	Land Cruiser Prado	28.00	1992
Venezuela	16 Toyota de Venezuela Compania Anonima (TDV)**	Corolla, Fortuner, Hilux, Dyna, Land Cruiser	90.00	1981

Europe

Country/Area	Company name	Main products	Voting rights ratio* (%)	Start of operations
Czech Republic	17 Toyota Peugeot Citroën Automobiles Czech, s. r. o. (TPCA)**	Aygo	50.00	2005
France	18 Toyota Motor Manufacturing France S.A.S. (TMMF)	Yaris/engines	100.00	2001
Poland	19 Toyota Motor Manufacturing Poland SP.zo.o. (TMMP)	Transmissions, engines, forged parts	94.40	2002
	20 Toyota Motor Industries Poland SP.zo.o. (TMIP)	Engines	60.00	2005
Portugal	21 Toyota Caetano Portugal, S.A. (TCAP)	Coaster (Optimo), Dyna, Hiace	27.00	1968
Turkey	22 Toyota Motor Manufacturing Turkey Inc. (TMMT)	Auris, Corolla Verso	90.00	1994
U.K.	23 Toyota Motor Manufacturing (UK) Ltd. (TMUK)	Avensis, Auris/engines	100.00	1992
Russia	24 Limited Liability Company "TOYOTA MOTOR MANUFACTURING RUSSIA" (TMMR)	Camry	80.00	2007

Africa

Country/Area	Company name	Main products	Voting rights ratio* (%)	Start of operations
Kenya	25 Associated Vehicle Assemblers Ltd. (AVA)	Land Cruiser	—	1977
South Africa	26 Toyota South Africa Motors (Pty) Ltd. (TSAM)	Corolla, Hilux, Fortuner, Dyna	100.00	1962

Asia

Country/Area	Company name	Main products	Voting rights ratio* (%)	Start of operations
China	27 Tianjin Jinfeng Auto Parts Co., Ltd. (TJAC)	Steering, propeller shafts	30.00	1997
	28 Tianjin Fengjin Auto Parts Co., Ltd. (TFAP)	Constant velocity joints, axles, differential gear	90.00	1998
	29 Tianjin FAW Toyota Engine Co., Ltd. (TFTE)	Engines	50.00	1998
	30 Tianjin Toyota Forging Co., Ltd. (TTFC)	Forged parts	100.00	1998
	31 Tianjin FAW Toyota Motor Co., Ltd. (TFTM)	VIOS, Corolla, Corolla EX, Crown, REIZ	50.00	2002
	32 FAW Toyota (Changchun) Engine Co., Ltd. (FTCE)	Engines	50.00	2004
	33 Toyota FAW (Tianjin) Dies Co., Ltd. (TFTD)	Stamping dies for vehicles	90.00	2004
	34 Guangqi Toyota Engine Co., Ltd. (GTE)	Engines	70.00	2005
	35 Sichuan FAW Toyota Motor Co., Ltd. (SFTM)**	Coaster, Land Cruiser, Prado, Prius	45.00	2000
	36 Guangzhou Toyota Motor Co., Ltd. (GTMC)	Camry	50.00	2006
Taiwan	37 Kuozui Motors, Ltd.	Camry, Corolla, WISH, VIOS, Yaris, Hiace/engines	56.66	1986
India	38 Toyota Kirloskar Motor Private Ltd. (TKM)	Corolla, Innova	89.00	1999
	39 Toyota Kirloskar Auto Parts Private Ltd. (TKAP)	Axles, propeller shafts, transmissions, differentials	64.00	2002
Indonesia	40 PT. Toyota Motor Manufacturing Indonesia	Innova, Fortuner, Dyna/engines	95.00	1970
	41 P.T. Astra Daihatsu Motor (ADM)**	AVANZA	—	2004***
Malaysia	42 Assembly Services Sdn. Bhd. (ASSB)	Corolla, VIOS, Hilux, Innova, Fortuner, Hiace	—	1968
	43 Perodua Manufacturing Sdn. Bhd. (PMSB)**	AVANZA	—	2005***
Pakistan	44 Indus Motor Company Ltd. (IMC)**	Corolla, VIGO	12.50	1993
Philippines	45 Toyota Motor Philippines Corp. (TMP)	Innova, VIOS	34.00	1989
	46 Toyota Autoparts Philippines Inc. (TAP)	Transmissions, constant velocity joints	95.00	1992
Thailand	47 Toyota Motor Thailand Co., Ltd. (TMT)	Corolla, WISH, Camry, VIOS, Yaris, VIGO, Fortuner	86.43	1964
	48 Toyota Auto Body Thailand Co., Ltd. (TABT)	Stamped parts	48.97	1979
	49 Thai Auto Works Co., Ltd. (TAW)	Fortuner, VIGO	40.00	1988
	50 Siam Toyota Manufacturing Co., Ltd. (STM)	Engines	96.00	1989
Vietnam	51 Toyota Motor Vietnam Co., Ltd. (TMV)	Camry, Corolla, VIOS, Innova, Hiace	70.00	1996
Bangladesh	52 Aftab Automobiles Ltd.**	Land Cruiser	—	1982

Oceania

Country/Area	Company name	Main products	Voting rights ratio* (%)	Start of operations
Australia	53 Toyota Motor Corporation Australia Ltd. (TMCA)	Camry, Aurion/engines	100.00	1963

Production Facilities where Operations are Planned

Country/Area	Company name	Main products	Voting rights ratio* (%)	Start of operations
U.S.A.	Toyota Motor Manufacturing, Mississippi, Inc. (TMMMS)	Highlander	100.00	2010

* Including voting rights by the subsidiaries determined in accordance with U.S. GAAP
** Companies also produce brands other than Toyota and Lexus
*** First year of Toyota's vehicle production
Note: Plants that manufacture or assemble Toyota- or Lexus-brand vehicles and component manufacturers established by Toyota

Toyota Milestones

Kiichiro Toyoda, the founder of Toyota Motor Corporation, was born in 1894. Inheriting the spirit of his father, Sakichi Toyoda, an inventor of looms, Kiichiro devoted his life to automobile manufacturing, at the time an unknown field in Japan. After a lot of painstaking work, he completed the A1 prototype passenger car in 1935, and the history of Toyota Motor Corporation began.


A1 prototype passenger car


Koromo plant at the time of establishment


First-generation Toyopet Crown


First-generation Corolla


Hybrid vehicle, first-generation Prius

Cumulative domestic production reaches 100 million vehicles

1930s

1933 Automobile research begins at Toyota Automatic Loom Works, Ltd.
1935 Completion of A1 prototype passenger car
Launch of G1 truck
1936 Launch of AA passenger car
1937 Establishment of Toyota Motor Co., Ltd.
1938 Koromo plant (now Honsha plant) begins production

1940s

1947 Domestic production reaches 100 thousand vehicles

1950s

1950 Establishment of and transfer of sales operations to Toyota Motor Sales Co., Ltd.
1955 Launch of the Toyopet Crown
1957 Export of the first made-in-Japan passenger car to the United States (the Crown)
Establishment of Toyota Motor Sales, U.S.A., Inc.

1960s

1961 Launch of the Publica
1966 Launch of the Corolla

1970s

1972 Cumulative total domestic production reaches 10 million vehicles
1973 Establishment of Calty Design Research, Inc.
1977 Establishment of Toyota Technical Center, U.S.A., Inc. (now TEMA*)

* TEMA has overall control of R&D and production in North America.

1980s

1982 Toyota Motor Co., Ltd., and Toyota Motor Sales Co., Ltd., merge to become Toyota Motor Corporation
1984 Joint venture company (NUMMI) established with General Motors begins production in the United States
1987 Establishment of Toyota Technical Center of Europe (now TME*)
1988 Kentucky plant (now TMMK) begins production in the United States
1989 Launch of Lexus in North America

* TME has overall control of operations in Europe.

1990s

1992 Establishment of Toyota Supplier Support Center in the United States
U.K. plant (TMUK) begins production
1997 Launch of the Prius hybrid vehicle
1999 Toyota Motor Corporation lists on the New York and London stock exchanges
Cumulative total domestic production reaches 100 million vehicles

2000s

2000 Sichuan FAW Toyota Motor Co., Ltd., begins production
2002 Establishment of the Toyota Institute, a personnel training facility
Toyota Motor Corporation participates in F1, the pinnacle of motorsports
2005 Joint venture company established with PSA Peugeot Citroën begins production in the Czech Republic
Launch of Lexus in Japan
2007 Global cumulative sales of Toyota hybrid vehicles top one million

Financial Section

Selected Financial Summary (U.S. GAAP)

Toyota Motor Corporation
Fiscal years ended March 31

	Yen in millions			
	1999	2000	2001	2002
For the Year:				
Net Revenues:				
Sales of Products	¥12,174,404	¥11,892,900	¥12,402,104	¥13,499,644
Financing Operations	583,692	528,349	553,133	690,664
Total	¥12,758,096	¥12,421,249	¥12,955,237	¥14,190,308
Costs and Expenses:				
Cost of Products Sold	¥ 9,613,707	¥ 9,839,833	¥10,218,599	¥10,874,455
Cost of Financing Operations	456,781	401,998	427,340	459,195
Selling, General and Administrative	1,937,200	1,480,857	1,518,569	1,763,026
Total	¥12,007,688	¥11,722,688	¥12,164,508	¥13,096,676
Operating Income	¥ 750,408	¥ 698,561	¥ 790,729	¥ 1,093,632
% of Net Revenues	5.9%	5.6%	6.1%	7.7%
Income before Income Taxes, Minority Interest and Equity in Earnings of Affiliated Companies	875,674	880,680	1,107,289	972,101
Provision for Income Taxes	425,851	422,731	523,876	422,789
Net Income	451,646	481,936	674,898	556,567
ROE	6.8%	7.1%	9.6%	7.8%
Net Cash Provided by Operating Activities	¥ 1,741,966	¥ 1,098,925	¥ 1,428,018	¥ 1,532,079
Net Cash Used in Investing Activities	(1,936,028)	(1,388,517)	(1,318,738)	(1,810,230)
Net Cash Provided by (Used in) Financing Activities	330,621	550,267	(166,713)	392,148
R&D Expenses	487,334	451,177	475,716	589,306
Capital Expenditures for Property, Plant and Equipment*	1,016,482	838,309	762,274	940,547
Depreciation	864,224	822,315	784,784	809,841
At Year-End:				
Shareholders' Equity	¥ 6,655,283	¥ 6,912,140	¥ 7,077,411	¥ 7,264,112
Total Assets	15,879,185	16,440,960	17,019,783	19,305,730
Long-Term Debt	2,997,725	2,913,759	3,083,344	3,722,706
Cash and Cash Equivalents	1,334,058	1,529,268	1,510,892	1,657,160
Ratio of Shareholders' Equity	41.9%	42.0%	41.6%	37.6%

	Yen			
	1999	2000	2001	2002
Per Share Data:				
Net Income (Basic)	¥119.47	¥ 128.27	¥ 180.65	¥ 152.26
Annual Cash Dividends	23	24	25	28
Shareholders' Equity	—	1,844.02	1,921.29	2,015.82
Stock Information (March 31)**:**				
Stock Price	¥3,430	¥5,370	¥4,350	¥3,650
Market Capitalization (Yen in millions)	¥12,899,030	¥20,134,306	¥16,029,739	¥13,332,491
Number of Shares Issued (shares)	3,760,650,129	3,749,405,129	3,684,997,492	3,649,997,492

* Excluding vehicles and equipment of operating leases

Yen in millions						% change
2003	2004	2005	2006	2007	**2008**	2007 vs 2008
¥14,793,973	¥16,578,033	¥17,790,862	¥20,059,493	¥22,670,097	**¥24,820,510**	+9.5
707,580	716,727	760,664	977,416	1,277,994	**1,468,730**	+14.9
¥15,501,553	¥17,294,760	¥18,551,526	¥21,036,909	¥23,948,091	**¥26,289,240**	+9.8
¥11,914,245	¥13,506,337	¥14,500,282	¥16,335,312	¥18,356,255	**¥20,452,338**	+11.4
423,885	364,177	369,844	609,632	872,138	**1,068,015**	+22.5
1,891,777	1,757,356	2,009,213	2,213,623	2,481,015	**2,498,512**	+0.7
¥14,229,907	¥15,627,870	¥16,879,339	¥19,158,567	¥21,709,408	**¥24,018,865**	+10.6
¥ 1,271,646	¥ 1,666,890	¥ 1,672,187	¥ 1,878,342	¥ 2,238,683	**¥ 2,270,375**	+1.4
8.2%	9.6%	9.0%	8.9%	9.3%	**8.6%**	—
1,226,652	1,765,793	1,754,637	2,087,360	2,382,516	**2,437,222**	+2.3
517,014	681,304	657,910	795,153	898,312	**911,495**	+1.5
750,942	1,162,098	1,171,260	1,372,180	1,644,032	**1,717,879**	+4.5
10.4%	15.2%	13.6%	14.0%	14.7%	**14.5%**	—
¥ 1,940,088	¥ 2,186,734	¥ 2,370,940	¥ 2,515,480	¥ 3,238,173	**¥ 2,981,624**	-7.9
(2,001,448)	(2,216,495)	(3,061,196)	(3,375,500)	(3,814,378)	**(3,874,886)**	-1.6
37,675	242,223	419,384	876,911	881,768	**706,189**	-19.9
668,404	682,279	755,147	812,648	890,782	**958,882**	+7.6
1,005,931	945,803	1,068,287	1,523,459	1,425,814	**1,480,570**	+3.8
870,636	969,904	997,713	1,211,178	1,382,594	**1,491,135**	+7.9
¥ 7,121,000	¥ 8,178,567	¥ 9,044,950	¥10,560,449	¥11,836,092	**¥11,869,527**	+0.3
20,152,974	22,040,228	24,335,011	28,731,595	32,574,779	**32,458,320**	-0.4
4,137,528	4,247,266	5,014,925	5,640,490	6,263,585	**5,981,931**	-4.5
1,592,028	1,729,776	1,483,753	1,569,387	1,900,379	**1,628,547**	-14.3
35.3%	37.1%	37.2%	36.8%	36.3%	**36.6%**	—

Yen						% change
2003	2004	2005	2006	2007	**2008**	2007 vs 2008
¥ 211.32	¥ 342.90	¥ 355.35	¥ 421.76	¥ 512.09	**¥ 540.65**	+5.6
36	45	65	90	120	**140**	+16.7
2,063.43	2,456.08	2,767.67	3,257.63	3,701.17	**3,768.97**	+1.8
¥2,635	¥3,880	¥3,990	¥6,430	¥7,550	**¥4,970**	-34.2
¥9,512,343	¥14,006,790	¥14,403,890	¥23,212,284	¥27,255,481	**¥17,136,548**	-37.1
3,609,997,492	3,609,997,492	3,609,997,492	3,609,997,492	3,609,997,492	**3,447,997,492**	—

Consolidated Segment Information

Toyota Motor Corporation
Fiscal years ended March 31

	Yen in millions						% change
	2003	2004	2005	2006	2007	**2008**	2007 vs 2008
Business Segment:							
Net Revenues:							
Automotive	¥14,311,451	¥15,973,826	¥17,113,535	¥19,338,144	¥21,928,006	**¥24,177,306**	+10.3
Financial Services	724,898	736,852	781,261	996,909	1,300,548	**1,498,354**	+15.2
All Other	795,217	896,244	1,030,320	1,190,291	1,323,731	**1,346,955**	+1.8
Intersegment Elimination	(330,013)	(312,162)	(373,590)	(488,435)	(604,194)	**(733,375)**	—
Consolidated	¥15,501,553	¥17,294,760	¥18,551,526	¥21,036,909	¥23,948,091	**¥26,289,240**	+9.8
Operating Income:							
Automotive	¥1,246,925	¥1,518,954	¥1,452,535	¥1,694,045	¥2,038,828	**¥2,171,905**	+6.5
Financial Services	30,328	145,998	200,853	155,817	158,495	**86,494**	-45.4
All Other	4,529	15,247	33,743	39,748	39,679	**33,080**	-16.6
Intersegment Elimination	(10,136)	(13,309)	(14,944)	(11,268)	1,681	**(21,104)**	—
Consolidated	¥1,271,646	¥1,666,890	¥1,672,187	¥1,878,342	¥2,238,683	**¥2,270,375**	+1.4
Geographic Segment:							
Net Revenues:							
Japan	¥10,845,627	¥11,589,987	¥12,004,155	¥13,111,457	¥14,815,282	**¥15,315,812**	+3.4
North America	6,218,839	6,127,639	6,373,453	7,687,942	9,029,773	**9,423,258**	+4.4
Europe	1,599,821	2,164,341	2,479,427	2,727,409	3,542,193	**3,993,434**	+12.7
Asia	—	1,243,521	1,625,422	2,042,806	2,225,528	**3,120,826**	+40.2
Other	1,546,744	1,118,362	1,183,702	1,601,736	1,922,742	**2,294,137**	+19.3
Intersegment Elimination	(4,709,478)	(4,949,090)	(5,114,633)	(6,134,441)	(7,587,427)	**(7,858,227)**	—
Consolidated	¥15,501,553	¥17,294,760	¥18,551,526	¥21,036,909	¥23,948,091	**¥26,289,240**	+9.8
Operating Income:							
Japan	¥ 944,290	¥1,108,127	¥ 987,242	¥1,075,890	¥1,457,246	**¥1,440,286**	-1.2
North America	279,988	390,977	447,559	495,638	449,633	**305,352**	-32.1
Europe	8,305	72,475	108,541	93,947	137,383	**141,571**	+3.0
Asia	—	60,277	93,772	145,546	117,595	**256,356**	+118.0
Other	45,626	36,636	47,454	67,190	83,497	**143,978**	+72.4
Intersegment Elimination	(6,563)	(1,602)	(12,381)	131	(6,671)	**(17,168)**	—
Consolidated	¥1,271,646	¥1,666,890	¥1,672,187	¥1,878,342	¥2,238,683	**¥2,270,375**	+1.4

Consolidated Quarterly Financial Summary

Toyota Motor Corporation
Fiscal years ended March 31

	Yen in billions							
	2007				**2008**			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net Revenues	¥5,638.1	¥5,833.7	¥6,146.5	¥6,329.7	**¥6,522.6**	**¥6,489.6**	**¥6,709.9**	**¥6,567.1**
% Change	13.2%	17.3%	15.2%	10.1%	**15.7%**	**11.2%**	**9.2%**	**3.8%**
Operating Income	512.4	581.0	574.7	570.5	**675.4**	**596.7**	**601.5**	**396.7**
% Change	26.5%	43.7%	19.2%	–2.8%	**31.8%**	**2.7%**	**4.7%**	**-30.5%**
Operating Income Margin	9.1%	10.0%	9.4%	9.0%	**10.4%**	**9.2%**	**9.0%**	**6.0%**
Income before Income Taxes, Minority Interest and Equity in Earnings of Affiliated Companies	554.6	611.5	615.9	600.5	**739.0**	**623.2**	**652.7**	**422.3**
% Change	31.5%	40.9%	–3.8%	1.5%	**33.2%**	**1.9%**	**6.0%**	**-29.7%**
Net Income	371.5	405.7	426.7	440.1	**491.5**	**450.9**	**458.6**	**316.8**
% Change	39.2%	33.6%	7.3%	8.9%	**32.3%**	**11.1%**	**7.5%**	**-28.0%**
Business Segment:								
Net Revenues:								
Automotive	¥5,187.6	¥5,296.6	¥5,665.7	¥5,778.1	**¥6,014.3**	**¥5,925.3**	**¥6,180.4**	**¥6,057.3**
Financial Services	284.6	314.8	334.3	366.8	**378.6**	**406.7**	**391.7**	**321.3**
All Other	295.0	347.2	310.5	371.0	**293.0**	**321.0**	**333.6**	**399.3**
Intersegment Elimination	(129.1)	(124.9)	(164.0)	(186.2)	**(163.3)**	**(163.4)**	**(195.8)**	**(210.8)**
Consolidated	¥5,638.1	¥5,833.7	¥6,146.5	¥6,329.7	**¥6,522.6**	**¥6,489.6**	**¥6,709.9**	**¥6,567.1**
Operating Income:								
Automotive	¥459.4	¥532.7	¥524.1	¥522.6	**¥622.1**	**¥559.5**	**¥567.8**	**¥422.5**
Financial Services	47.7	32.2	41.3	37.3	**48.3**	**29.5**	**20.9**	**(12.2)**
All Other	5.2	15.8	8.1	10.5	**4.1**	**6.0**	**11.8**	**11.1**
Intersegment Elimination	0.1	0.3	1.2	0.1	**0.9**	**1.7**	**1.0**	**(24.7)**
Consolidated	¥512.4	¥581.0	¥574.7	¥570.5	**¥675.4**	**¥596.7**	**¥601.5**	**¥396.7**
Geographic Segment:								
Net Revenues:								
Japan	¥3,422.3	¥3,588.0	¥3,806.2	¥3,998.8	**¥3,662.9**	**¥3,653.9**	**¥3,984.8**	**¥4,014.2**
North America	2,181.6	2,163.0	2,378.1	2,307.0	**2,510.9**	**2,399.0**	**2,369.8**	**2,143.5**
Europe	832.3	850.3	883.7	975.8	**1,019.0**	**1,001.6**	**983.1**	**989.7**
Asia	484.6	540.1	561.9	639.0	**720.1**	**785.2**	**811.2**	**804.4**
Other	453.1	515.4	511.1	443.1	**559.7**	**569.2**	**641.2**	**524.0**
Intersegment Elimination	(1,735.8)	(1,823.1)	(1,994.5)	(2,034.0)	**(1,950.0)**	**(1,919.3)**	**(2,080.2)**	**(1,908.7)**
Consolidated	¥5,638.1	¥5,833.7	¥6,146.5	¥6,329.7	**¥6,522.6**	**¥6,489.6**	**¥6,709.9**	**¥6,567.1**
Operating Income:								
Japan	¥293.0	¥391.4	¥383.5	¥389.3	**¥396.6**	**¥376.7**	**¥389.4**	**¥277.6**
North America	140.1	110.4	99.1	100.0	**160.2**	**93.9**	**63.6**	**(12.4)**
Europe	36.5	29.5	34.8	36.5	**38.5**	**29.8**	**34.0**	**39.2**
Asia	30.0	31.3	28.1	28.2	**49.6**	**67.1**	**64.3**	**75.4**
Other	15.9	20.2	31.0	16.4	**38.6**	**33.1**	**49.9**	**22.3**
Intersegment Elimination	(3.1)	(1.8)	(1.8)	0.1	**(8.1)**	**(3.9)**	**0.3**	**(5.4)**
Consolidated	¥512.4	¥581.0	¥574.7	¥570.5	**¥675.4**	**¥596.7**	**¥601.5**	**¥396.7**

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 include automotive operations, financial services operations and all other operations. Automotive operations is Toyota's most significant business segment, accounting for 89% of Toyota's total revenues before the elimination of intersegment revenues and 95% of Toyota's total operating income before the elimination of intersegment revenues and costs for fiscal 2008. The operating income from automotive operations as a percentage of total operating income increased by 4% compared with fiscal 2007 due to an increase in operating income from automotive operations. Toyota's primary markets based on vehicle unit sales for fiscal 2008 were: Japan (25%), North America (33%), Europe (14%), and Asia (11%).

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.

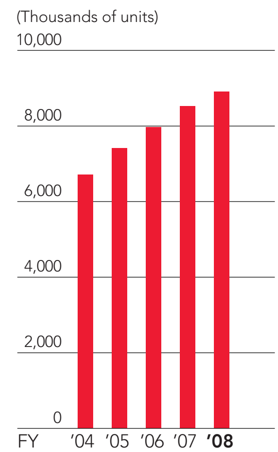
The following table sets forth Toyota's consolidated vehicle unit sales by geographic market based on location of customers for the past three fiscal years.

	Thousands of units		
	Years ended March 31,		
	2006	2007	**2008**
Japan	2,364	2,273	**2,188**
North America	2,556	2,942	**2,958**
Europe	1,023	1,224	**1,284**
Asia	880	789	**956**
Other*	1,151	1,296	**1,527**
Overseas total	5,610	6,251	**6,725**
Total	7,974	8,524	**8,913**

* "Other" consists of Central and South America, Oceania, Africa and the Middle East, etc.

Toyota's consolidated unit sales in Japan decreased during fiscal 2007 and 2008 as compared to each of the respective prior years reflecting a decline in the overall domestic market. During fiscal 2008, however, Toyota's market share (including Daihatsu and Hino) including mini-vehicles representing a record high, and Toyota and Lexus' market share excluding mini-vehicles remained at a high level close to prior fiscal year reflecting the sales efforts of domestic dealers. Overseas vehicle unit sales increased during fiscal 2007 and 2008. During fiscal 2007, vehicle unit sales increased in North America and Europe due to extensive product offerings that catered to regional needs but decreased in Asia due to a decline in certain countries' markets, such as Indonesia and Taiwan. During fiscal 2008, vehicle unit sales increased in North America, Europe, Asia, and Other reflecting the expansion of production sites, the introduction of vehicle models that effectively meet customer needs and the implementation of various sales measures.

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,
- high prices of raw materials,
- 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 enforced 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 those hazardous materials and recyclable parts are removed from vehicles prior to scrapping. Please see

"—Legislation Regarding End-of-Life Vehicles", "Information on the Company—Business Overview—Governmental Regulation, Environmental and Safety Standards" and note 23 to the consolidated financial statements for a more detailed discussion of these laws, regulations and policies.

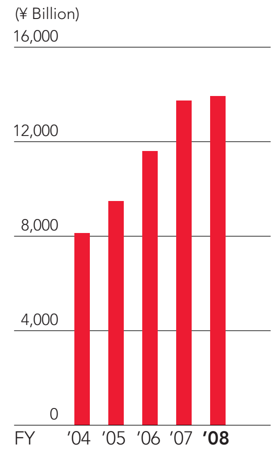
Many governments also regulate local content, impose tariffs and other trade barriers, and enact price or exchange controls that can limit an automaker's operations and can make the repatriation of profits unpredictable. Changes in these laws, regulations, policies and other governmental actions may 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. Toyota believes that its actions have been lawful. In the interest of quickly resolving these legal actions, however, Toyota entered into a settlement agreement with the plaintiffs at the end of February 2006. The settlement agreement is pending the approval of the federal district court, and immediately upon approval the plaintiffs will, in accordance with the terms of the settlement agreement, withdraw all pending actions against Toyota in the federal district court as well as all state courts and all related actions will be closed. For a more detailed description of these proceedings, see note 23 to the consolidated financial statements.

The worldwide automotive industry is in a period of globalization, which may continue for the foreseeable future, and in general 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.

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.

Total Assets by Financial Services Operations



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 2008 from the continued expansion of its financial services operations.

The following table provides information regarding Toyota's finance receivables and operating leases as of March 31, 2007 and 2008.

	Yen in millions	
	March 31,	
	2007	**2008**
Finance Receivables		
Retail	¥ 7,005,631	**¥ 6,959,479**
Finance leases	1,061,738	**1,160,401**
Wholesale and other dealer loans	2,342,926	**2,604,411**
	10,410,295	**10,724,291**
Deferred origination costs	108,076	**106,678**
Unearned income	(403,191)	**(437,365)**
Allowance for credit losses	(112,116)	**(117,706)**
Total finance receivables, net	10,003,064	**10,275,898**
Less—Current portion	(4,108,139)	**(4,301,142)**
Noncurrent finance receivables, net	¥ 5,894,925	**¥ 5,974,756**
Operating Leases		
Vehicles	¥ 2,783,706	**¥ 2,814,706**
Equipment	106,663	**107,619**
	2,890,369	**2,922,325**
Less—Accumulated depreciation	(640,997)	**(718,207)**
Vehicles and equipment on operating leases, net	¥ 2,249,372	**¥ 2,204,118**

Toyota continues to originate leases to finance new Toyota vehicles. These leasing activities are subject to residual value risk. Residual value risk could arise when the lessee of a vehicle does not exercise the option to purchase the vehicle at the end of the lease term. See discussion in the Critical Accounting Estimates section regarding "Investment in Operating Leases" and note 2 to the consolidated financial statements regarding the allowance for residual values losses.

Toyota primarily 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. A portion of the 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 and accordingly, unrealized gains or losses related to derivatives that are not designated are recognized currently in operations. See discussion in the Critical Accounting Estimates section regarding "Derivatives and Other Contracts at Fair Value", further discussion in the Market Risk Disclosures section and note 20 to the consolidated financial statements.

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 increased during fiscal 2007 as a result of higher interest rates and an increase in borrowings, primarily in the United States. Funding costs increased during fiscal 2008 as a result of an increase in borrowings.

Toyota launched its credit card business in Japan at the beginning of fiscal 2002. As of March 31, 2007, Toyota had 6.1 million cardholders, an increase of 0.7 million cardholders compared with March 31, 2006, and as of March 31, 2008, Toyota had 6.6 million cardholders, an increase of 0.5 million cardholders compared with March 31, 2007. Corresponding to the increase in cardholders, the credit card receivables at March 31, 2007 increased by ¥30.0 billion from March 31, 2006 to ¥201.2 billion. The credit card receivables at March 31, 2008 increased by ¥24.5 billion from March 31, 2007 to ¥225.7 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; others.

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 Australian dollar, the Canadian dollar and the British pound. 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.

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 among the various geographic markets, the translation risk 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 2006 and 2007, Toyota produced 61.1% and 61.4% of Toyota's non-domestic sales outside Japan, respectively. In North America, 54.7% and 57.2% of vehicles sold in calendar 2006 and 2007 were produced locally, respectively. In Europe, 70.7% and 64.0% of vehicles sold in calendar 2006 and 2007 were produced locally, respectively. Localizing production enables Toyota to locally 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, during fiscal 2007, was on average weaker and the Japanese yen, at the end of fiscal 2007, was also weaker, against the U.S. dollar and the euro in comparison to the prior fiscal year. The Japanese yen, during fiscal 2008, was on average stronger against the U.S. dollar in comparison to the prior fiscal year and the Japanese yen, at the end of fiscal 2008, was stronger against the U.S. dollar in comparison to the end of the prior fiscal year. The Japanese yen, during fiscal 2008, was on average weaker against the euro in comparison to the prior fiscal year. The Japanese yen, at the end of fiscal 2008, was also weaker against the euro in comparison 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 2007 and 2008, the average value of the Japanese yen fluctuated against the major currencies including the U.S. dollar and the euro compared with the average value of the previous fiscal year, respectively. The operating results excluding the impact of currency fluctuations described in the "Results of Operations—Fiscal 2008 Compared with Fiscal 2007" and the "Results of Operations—Fiscal 2007 Compared with Fiscal 2006," show results of net revenues obtained by applying the Japanese yen's average exchange rate in the previous fiscal year to the local currency-denominated net revenues for fiscal 2007 and 2008, respectively, as if the value of the Japanese 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

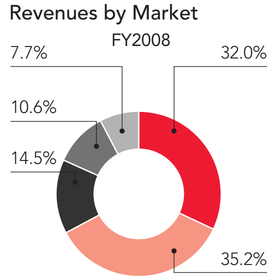
Toyota's most significant business segment is its automotive operations. Toyota carries out its automotive operations as a global competitor in the worldwide automotive market. Management allocates resources to, and assesses the performance of, its automotive operations as a single business segment on 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.

Geographic Breakdown

The following table sets forth Toyota's net revenues in each geographic market based on the country location of the parent company or the subsidiary that transacted the sale with the external customer for the past three fiscal years.

Revenues by Market



	Yen in millions		
	For the years ended March 31,		
	2006	2007	**2008**
Japan	¥7,735,109	¥8,152,884	**¥8,418,620**
North America	7,455,818	8,771,495	**9,248,950**
Europe	2,574,014	3,346,013	**3,802,814**
Asia	1,836,855	1,969,957	**2,790,987**
Other*	1,435,113	1,707,742	**2,027,869**

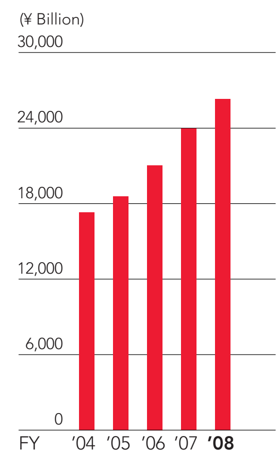
* "Other" consists of Central and South America, Oceania, Africa.

Results of Operations—Fiscal 2008 Compared with Fiscal 2007

Net Revenues

Toyota had net revenues for fiscal 2008 of ¥26,289.2 billion, an increase of ¥2,341.2 billion, or 9.8%, compared with the prior year. This increase principally reflects the impact of increased vehicle unit sales, increased financings operations, increased parts sales and the favorable impact of fluctuations in foreign currency translation rates during fiscal 2008. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues would have been approximately ¥26,011.5 billion during fiscal 2008, an 8.6% increase compared with the prior year. Toyota's net revenues include net revenues from sales of products that increased by 9.5% during fiscal 2008 compared with the prior year to ¥24,820.5 billion and net revenues from financing operations that increased by 14.9% during fiscal 2008 compared with the prior year to ¥1,468.7 billion. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues from sales of products would have been approximately ¥24,540.1 billion, an 8.2% increase during fiscal 2008 compared with the prior year, while net revenues from financing operations would have increased by approximately 15.1% during fiscal 2008 compared to the prior year to ¥1,471.4 billion. Geographically, net revenues for fiscal 2008 increased by 3.3% in Japan, 5.4% in North America, 13.7% in Europe, 41.7% in Asia and 18.7% in Other compared with the prior year. Eliminating the difference in the Japanese yen value used for translation purposes, net revenues in fiscal 2008 would have increased by 3.3% in Japan, 7.6% in North America, 6.8% in Europe, 34.2% in Asia, and 13.6 % in Other compared with the prior year.

Net Revenues



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 segment, which constitute the largest percentage of Toyota's net revenues, increased during fiscal 2008 by ¥2,249.3 billion, or 10.3% compared with the prior year to ¥24,177.3 billion. The increase resulted primarily from the approximate ¥1,600 billion impact attributed to the vehicle unit sales growth and changes in sales mix, the ¥277.5 billion impact of fluctuations in foreign currency translation rates during fiscal 2008, and the impact of increased parts sales. Eliminating the difference in the Japanese yen value used for translation purposes, automotive operations segment net revenues would have been approximately ¥23,899.8 billion during fiscal 2008, a 9.0% increase compared to the prior year. In fiscal 2008, net revenues in Japan were favorably impacted primarily by vehicle unit sales growth in the export markets, which was partially offset by changes in sales mix compared to fiscal 2007. Net revenues in North America were favorably impacted primarily by vehicle unit sales growth partially offset by fluctuations in foreign currency translation rates during fiscal 2008. Net revenues in Europe and Asia were favorably impacted primarily by vehicle unit sales growth and fluctuations in foreign currency translation rates during fiscal 2008. Net revenues in Other were favorably impacted primarily by vehicle unit sales growth.

• Financial Services Operations Segment
Net revenues in fiscal 2008 for Toyota's financial services operations increased by ¥197.8 billion or 15.2% compared to the prior year to ¥1,498.3 billion. This increase resulted primarily from the impact of a higher volume of financings mainly in North America, partially offset by the impact of fluctuations in foreign currency translation rates during fiscal 2008. Eliminating the difference in the Japanese yen value used for translation purposes, financial services operations net revenues would have been approximately ¥1,500.5 billion during fiscal 2008, a 15.4% increase compared with the prior year.

• All Other Operations Segment
Net revenues for Toyota's other businesses increased by ¥23.2 billion, or 1.8%, to ¥1,346.9 billion during fiscal 2008 compared with the prior year.

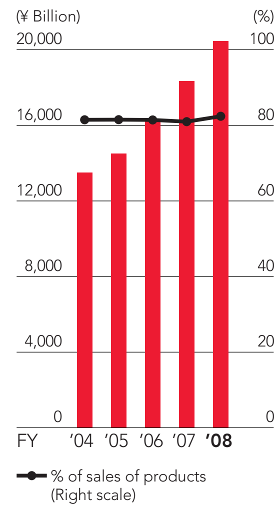
Operating Costs and Expenses

Operating costs and expenses increased by ¥2,309.5 billion, or 10.6%, to ¥24,018.9 billion during fiscal 2008 compared with the prior year. The increase resulted primarily from the approximate ¥1,300 billion impact on costs of products attributed to vehicle unit sales growth and changes in sales mix, the ¥252.1 billion impact of fluctuations in foreign currency translation rates, the ¥68.1 billion increase in research and development expenses, increased expenses in expanding business operations and increased costs corresponding to the increase in parts sales. These increases were partially offset by the approximate ¥120 billion impact attributed to the net impact of cost reduction efforts, responding to the rise in prices of production materials and parts in fiscal 2008.

Continued cost reduction efforts reduced operating costs and expenses in fiscal 2008 by approximately ¥120 billion, partially offset by increases in the prices of steel, precious metals, non-ferrous alloys including aluminum, plastic parts and other production materials and parts, 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 ¥2,096.1 billion, or 11.4%, to ¥20,452.4 billion during fiscal 2008 compared with the prior year. This increase (before the elimination of intersegment amounts) reflects an increase of ¥2,107.7 billion, or 11.9%, for the automotive operations and an increase of ¥33.4 billion, or 2.9%, for all other operations segment. The increase in cost of products sold for automotive operations is primarily attributed to the increased vehicle unit sales and changes in sales mix, the impact of the increase in parts sales, the impact of the increase in research and development expenses and the impact of fluctuations in foreign currency translation rates during fiscal 2008, which were partially offset by the impact of continued cost reduction efforts. The increase in cost of products sold for all other operations primarily related to the increase in net revenues.

Cost of Products Sold

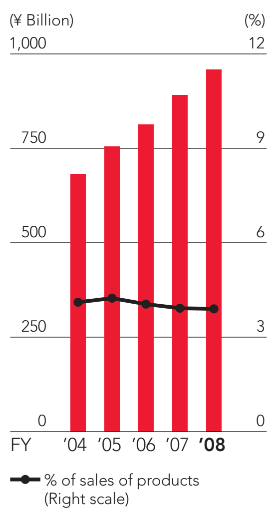


Cost of financing operations increased by ¥195.9 billion, or 22.5%, to ¥1,068.0 billion during fiscal 2008 compared with the prior year. The increase resulted primarily from the impact of increased interest expenses caused primarily by an increase in borrowings attributed to business expansion. The increase is also attributed to the impact of losses due to changes in the fair value of derivative financial instruments that are not designated as hedges and are marked-to-market at the end of each period.

Selling, general and administrative expenses increased by ¥17.5 billion, or 0.7%, to ¥2,498.5 billion during fiscal 2008 compared with the prior year. This increase mainly reflects an increase for the financial services operations. The increase for the financial services operations is primarily attributed to the impact of increased expenses.

Research and development expenses (included in cost of products sold and selling, general and administrative expenses) increased by ¥68.1 billion, or 7.6%, to ¥958.8 billion during fiscal 2008 compared with the prior year. This increase primarily relates to expenditures attributed to the development of environmentally conscious technologies including hybrid and fuel-cell 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 global market to further build up competitive strength in the future.

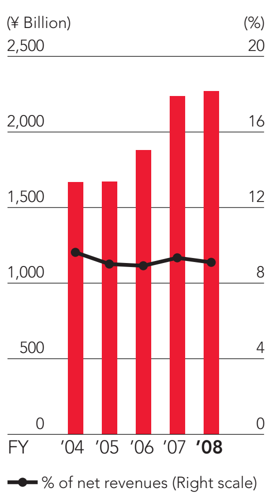
R&D Expenses



Operating Income

Toyota's operating income increased by ¥31.7 billion, or 1.4%, to ¥2,270.3 billion during fiscal 2008 compared with the prior year. Operating income was favorably affected by the vehicle unit sales growth, the changes in sales mix, the impact of increased parts sales, continued cost reduction efforts and the favorable impact of fluctuations in foreign currency translation rates. These increases were partially offset by increases in research and development expenses and the increases in expenses due to business expansion. As a result, operating income decreased to 8.6% as a percentage of net revenues for fiscal 2008 compared to 9.3% in the prior year.

Operating Income



During fiscal 2008, operating income (before the elimination of intersegment profits) for significant geographic regions decreased by ¥16.9 billion, or 1.2%, in Japan, decreased by ¥144.3 billion, or 32.1%, in North America, increased by ¥4.2 billion, or 3.0% in Europe, increased by ¥138.8 billion, or 118.0%, in Asia, and increased by ¥60.4 billion, or 72.4% in Other compared with the prior year. The decrease in Japan was mainly due to an increase in expenses including research and development expenses, partially offset by the vehicle unit sales growth in the export markets and continued cost reduction efforts. The decrease in North America was mainly due to an increase in valuation losses on interest rate swaps stated at fair value and the impact of fluctuations in foreign currency translation rates partially offset by the increase in production volume and vehicle unit sales and continued cost reduction efforts in the manufacturing operations. The increases in Europe were mainly due to the impact of an increase in production volume and vehicle unit sales, continued cost reduction efforts in the manufacturing operations and the favorable impact of fluctuations in foreign currency translation rates. The increases in Asia were mainly due to the impact of an increase in production volume and vehicle unit sales. The increase in Other was primarily due to the impact of the increase in production volume and vehicle unit sales.

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 ¥133.1 billion, or 6.5%, to ¥2,171.9 billion during fiscal 2008 compared with the prior year. This increase is primarily attributed to the increase in vehicle unit sales, the increase in parts sales, the impact of continued cost reduction efforts and the favorable impact of fluctuations in foreign currency translation rates. This increase was partially offset by the increase in research and development expenses and the increase in expenses due to business expansion.

• Financial Services Operations Segment

Operating income from Toyota's financial services operations decreased by ¥72.0 billion, or 45.4%, to ¥86.5 billion during fiscal 2008 compared with the prior year. This decrease is primarily due to an increase in valuation losses on interest rate swaps stated at fair value, partially offset by the impact of a higher volume of financing activities.

• All Other Operations Segment

Operating income from Toyota's other businesses decreased by ¥6.6 billion, or 16.6% to ¥33.0 billion during fiscal 2008 compared with the prior year.

Other Income and Expenses

Interest and dividend income increased by ¥33.7 billion, or 25.6%, to ¥165.7 billion during fiscal 2008 compared with the prior year mainly due to an increase in interest income reflecting an increase in marketable securities.

Interest expense decreased by ¥3.2 billion, or 6.5%, to ¥46.1 billion during fiscal 2008 compared with the prior year due to a decrease in borrowings in the automotive operations segment.

Foreign exchange gains, net decreased by ¥23.8 billion, or 72.2%, to ¥9.2 billion during fiscal 2008 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 increased by ¥9.9 billion, or 35.1%, to ¥38.1 billion during fiscal 2008 compared with the prior year.

Income Taxes

The provision for income taxes increased by ¥13.2 billion, or 1.5%, to ¥911.5 billion during fiscal 2008 compared with the prior year primarily due to the increase in income before income taxes. The effective tax rate for fiscal 2008 remained relatively unchanged compared to the rate for fiscal 2007.

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

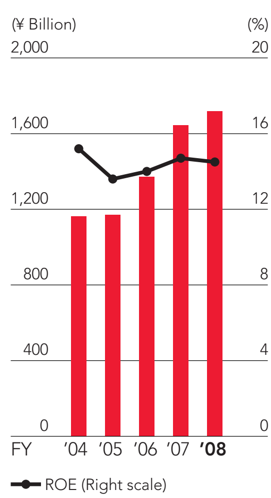
Minority interest in consolidated subsidiaries increased by ¥28.3 billion, or 56.9%, to ¥78.0 billion during fiscal 2008 compared with the prior year. This increase was mainly due to an increase in net income attributable to favorable results of operations at consolidated subsidiaries.

Equity in earnings of affiliated companies during fiscal 2008 increased by ¥60.6 billion, or 28.9%, to ¥270.1 billion compared with the prior year. This increase was mainly due to an increase in net income attributable to favorable results of operations at the affiliated companies.

Net Income

Toyota's net income increased by ¥73.8 billion, or 4.5%, to ¥1,717.8 billion during fiscal 2008 compared with the prior year.

Net Income and ROE



Other Comprehensive Income and Loss

Other comprehensive income decreased by ¥1,115.5 billion, to losses of ¥942.5 billion for fiscal 2008 compared with the prior year. This decrease resulted primarily from a decrease in foreign currency translation adjustments in fiscal 2008 to losses of ¥461.1 billion compared with gains of ¥130.7 billion in the prior year and a decrease in unrealized holding gains on securities in fiscal 2008 to losses of ¥347.8 billion reflecting the decline in the Japanese stock market compared with unrealized holding gains of ¥38.8 billion in the prior year.

Results of Operations—Fiscal 2007 Compared with Fiscal 2006

Net Revenues

Toyota had net revenues for fiscal 2007 of ¥23,948.0 billion, an increase of ¥2,911.1 billion, or 13.8%, compared with the prior year. This increase principally reflects the impact of increased vehicle unit sales, increased financings operations, increased parts sales and the favorable impact of fluctuations in foreign currency translation rates during fiscal 2007. Eliminating the difference in the yen value used for translation purposes, net revenues would have been approximately ¥23,195.8 billion during fiscal 2007, a 10.3% increase compared with the prior year. Toyota's net revenues include net revenues from sales of products that increased during fiscal 2007 by 13.0% from the prior year to ¥22,670.1 billion and net revenues from financing operations that increased 30.8% in fiscal 2007 compared with the prior year to ¥1,277.9 billion. Eliminating the difference in the yen value used for translation purposes, net revenues from sales of products would have been approximately ¥21,963.4 billion, a 9.5% increase, while net revenues from financing operations would have increased approximately 26.1% during fiscal 2007 compared to the prior year to ¥1,232.4 billion. Geographically, net revenues for fiscal 2007 increased by 5.4% in Japan, 17.6% in North America, 30.0% in Europe, 7.2% in Asia and 19.0% in Other compared with the prior year. Eliminating the difference in the yen value used for translation purposes, net revenues in fiscal 2007 would have increased by 5.4% in Japan, 13.9% in North America, 19.7% in Europe, and 17.0% in Other, and decreased by 2.4% in Asia 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 segment, which constitute the largest percentage of Toyota's net revenues, increased during fiscal 2007 by ¥2,589.9 billion, or 13.4% compared with the prior year to ¥21,928.0 billion. The increase resulted primarily from the approximate ¥1,200 billion impact attributed to the vehicle unit sales growth partially offset by changes in sales mix, the ¥704.6 billion impact of fluctuations in foreign currency translation rates during fiscal 2007, and the impact of increased parts sales. Eliminating the difference in the yen value used for translation purposes, automotive operations segment net revenues would have been approximately ¥21,223.4 billion during fiscal 2007, a 9.7% increase compared to the prior year. In fiscal 2007, net revenues in Japan were favorably impacted primarily by vehicle unit sales growth in the export markets, which was partially offset by changes in sales mix compared to fiscal 2006. Net revenues in North America were favorably impacted by vehicle unit sales growth and fluctuations in foreign currency translation rates during fiscal 2007. Net revenues in Europe were favorably impacted primarily by vehicle unit sales growth and fluctuations in foreign currency translation rates during fiscal 2007. Net revenues in Asia were favorably impacted primarily by fluctuations in foreign currency translation rates during fiscal 2007, which was partially offset by the impact of a decrease in vehicle unit sales. Net revenues in Other were favorably impacted primarily by vehicle unit sales growth due to the IMV series.

• Financial Services Operations Segment

Net revenues in fiscal 2007 for Toyota's financial services operations increased by ¥303.6 billion or 30.5% compared to the prior year to ¥1,300.5 billion. This increase resulted primarily from the impact of a higher volume of financings mainly in North America and the favorable impact of fluctuations in foreign currency translation rates during fiscal 2007. Eliminating the difference in the yen value used for translation purposes, financial services operations net revenues would have been approximately ¥1,254.2 billion during fiscal 2007, a 25.8% increase compared with the prior year.

• All Other Operations Segment

Net revenues for Toyota's other businesses increased by ¥133.4 billion, or 11.2%, to ¥1,323.7 billion during fiscal 2007 compared with the prior year. This increase primarily relates to increased sales attributed to the housing business and the expansion of intelligent transport systems operations.

Operating Costs and Expenses

Operating costs and expenses increased by ¥2,550.8 billion, or 13.3%, to ¥21,709.4 billion during fiscal 2007 compared with the prior year. The increase resulted primarily from the approximate ¥900 billion impact on costs of products attributed to vehicle unit sales growth partially offset by changes in sales mix, a ¥708.5 billion impact of fluctuations in foreign currency translation rates, a ¥78.1 billion increase in research and development expenses, increased expenses in expanding business operations and increased costs related to the corresponding increase in parts sales. These increases were partially offset by the approximate ¥100 billion impact attributed to the net impact of cost reduction efforts including the rise in prices of production materials and parts in fiscal 2007.

Continued cost reduction efforts reduced operating costs and expenses in fiscal 2007 by approximately ¥100 billion, partially offset by increases in the prices of steel, precious metals, non-ferrous alloys including aluminum, plastic parts and other production materials and parts, 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 ¥2,021.0 billion, or 12.4%, to ¥18,356.3 billion during fiscal 2007 compared with the prior year. This increase (before the elimination of intersegment amounts) reflects an increase of ¥2,005.5 billion, or 12.8%, for the automotive operations and an increase of ¥118.9 billion, or 11.7%, for all other operations segment. The increase in cost of products sold for automotive operations is primarily attributed to the increased vehicle unit sales partially offset by changes in sales mix, the impact of the increase in parts sales, the impact of the increase in research and development expenses and the impact of fluctuations in foreign currency translation rates during fiscal 2007, which were partially offset by the impact of continued cost reduction efforts. 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 ¥262.4 billion, or 43.1%, to ¥872.1 billion during fiscal 2007 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. The increase is also attributed to the impact of losses due to changes in the fair value of derivative financial instruments that are not designated as hedges and are marked-to-market at the end of each period.

Selling, general and administrative expenses increased by ¥267.4 billion, or 12.1%, to ¥2,481.0 billion during fiscal 2007 compared with the prior year. This increase (before the elimination of intersegment amounts) reflects an increase of ¥239.6 billion, or 11.9%, for the automotive operations, an increase of ¥35.3 billion, or 15.5%, for the financial services operations and an increase of ¥14.6 billion, or 10.9%, for all other operations segment. The increase for the automotive operations consisted primarily of the impact of increased expenses in expanding business operations and the impact of fluctuations in foreign currency translation rates. The increase for the financial services operations is primarily attributed to impact of increased expenses 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 ¥78.1 billion, or 9.6%, to ¥890.7 billion during fiscal 2007 compared with the prior year. This increase primarily relates to expenditures attributed to the development of environmentally conscious technologies including hybrid and fuel-cell 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 global market to further build up competitive strength in the future.

Operating Income

Toyota's operating income increased by ¥360.3 billion, or 19.2%, to ¥2,238.6 billion during fiscal 2007 compared with the prior year. Operating income was favorably affected by the vehicle unit sales growth partially offset by changes in sales mix, the impact of increased parts sales, continued cost reduction efforts and the favorable impact of fluctuations in foreign currency translation rates. These increases were partially offset by increases in research and development expenses and the impact of business expansion. As a result, operating income increased to 9.3% as a percentage of net revenues for fiscal 2007 compared to 8.9% in the prior year.

During fiscal 2007, operating income (before the elimination of intersegment profits) by significant geographies resulted in an increase of ¥381.3 billion, or 35.4%, in Japan, a decrease of ¥46.0 billion, or 9.3%, in North America, an increase of ¥43.4 billion, or 46.2% in Europe, a decrease of ¥27.9 billion, or 19.2%, in Asia, and an increase of ¥16.3 billion, or 24.3% in Other compared with the prior year. The increase in Japan relates primarily to the vehicle unit sales growth in the export markets partially offset by changes in sales mix, continued cost reduction efforts and the favorable impact of fluctuations in foreign currency translation rates. The increase was partially offset by increases in research and development expenses. The decrease in North America is attributed primarily to the impact of start-up costs relating to the Texas plant, and the impact of losses due to changes in the fair value of derivative financial instruments such as interest rate swaps, partially offset by the increase in vehicle unit sales, the impact of cost reduction efforts in the manufacturing operations and the favorable impact of fluctuations in foreign currency translation rates. The increase in Europe relates mainly to the impact of an increase in production volume and vehicle unit sales, cost reduction efforts in the manufacturing operations and the favorable impact of fluctuations in foreign currency translation rates. The decrease in Asia relates primarily to the decrease in production volume and vehicle unit sales. The increase in Other relates primarily to the impact of the increase in production volume and vehicle unit sales mainly attributed to the IMV series.

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 ¥344.8 billion, or 20.4%, to ¥2,038.8 billion during fiscal 2007 compared with the prior year. This increase is primarily attributed to the increase in vehicle unit sales, the increase in parts sales, the impact of continued cost reduction efforts and the favorable impact of fluctuations in foreign currency translation rates. This increase was partially offset by, the increase in research and development expenses and the increase in expenses corresponding to business expansion.

• Financial Services Operations Segment

Operating income from Toyota's financial services operations increased by ¥2.7 billion, or 1.7%, to ¥158.5 billion during fiscal 2007 compared with the prior year. This increase is primarily attributed to the impact of a higher volume of financing activities mainly in North America and the favorable impact of fluctuations in foreign currency translation rates, which was partially offset by the impact of losses due to changes in the fair value of derivative financial instruments such as interest rate swaps.

• All Other Operations Segment

Operating income from Toyota's other businesses remained consistent to ¥39.6 billion during fiscal 2007 compared with the prior year.

Other Income and Expenses

Interest and dividend income increased by ¥38.0 billion, or 40.4%, to ¥132.0 billion during fiscal 2007 compared with the prior year mainly due to an increase in investment securities held by the United States subsidiaries.

Interest expense increased by ¥27.7 billion, or 2.3 times to ¥49.3 billion during fiscal 2007 compared with the prior year due to an increase in interest expense in the automotive operations segment.

Foreign exchange gains, net increased by ¥22.2 billion, or 3.1 times, to ¥33.0 billion during fiscal 2007 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 ¥97.6 billion, or 77.6%, to ¥28.2 billion during fiscal 2007 compared with the prior year. This decrease primarily relates to the gain of ¥143.3 billion for a nonmonetary exchange of marketable equity securities recorded during fiscal 2006. The gain was calculated in accordance with Emerging Issues Task Force ("EITF") No. 91-5 "Nonmonetary Exchange of Cost-Method Investments", which was determined as the difference between acquisition costs of pre-merger UFJ Holdings, Inc. shares that Toyota had held and the fair market value of post-merger Mitsubishi UFJ Financial Group, Inc. shares that Toyota received in exchange for shares of UFJ Holdings, Inc. following the merger between Mitsubishi Tokyo Financial Group, Inc. and UFJ Holdings, Inc.

Income Taxes

The provision for income taxes increased by ¥103.2 billion, or 13.0%, to ¥898.3 billion during fiscal 2007 compared with the prior year primarily due to the increase in income before income taxes. The effective tax rate for fiscal 2007 remained relatively unchanged compared to the rate for fiscal 2006.

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

Minority interest in consolidated subsidiaries decreased by ¥34.7 billion, or 41.1%, to ¥49.7 billion during fiscal 2007 compared with the prior year. This decrease was mainly due to the decrease of a gain calculated in accordance with EITF 91-5 from the nonmonetary exchange of marketable equity investments related shares of UFJ Holdings, Inc. held by a domestic consolidated subsidiary prior to the merger with Mitsubishi Tokyo Financial Group, Inc. resulting in the receipt of new shares in the post-merger entity.

Equity in earnings of affiliated companies during fiscal 2007 increased by ¥45.2 billion, or 27.5%, to ¥209.5 billion compared with the prior year due to an increase in net income attributable to favorable operations at the affiliated companies.

Net Income

Toyota's net income increased by ¥271.9 billion, or 19.8%, to ¥1,644.0 billion during fiscal 2007 compared with the prior year.

Other Comprehensive Income and Loss

Other comprehensive income decreased by ¥344.9 billion, or 66.6%, to ¥173.0 billion for fiscal 2007 compared with the prior year. This decrease resulted primarily from a decrease in unrealized holding gains on securities during fiscal 2007 of ¥38.8 billion compared with unrealized holding gains of ¥244.6 billion in the prior year reflecting an incremental improvement in the Japanese stock market during fiscal 2006 and a decrease in foreign currency translation adjustment gains of ¥130.7 billion in fiscal 2007 compared with gains of ¥268.4 billion in the prior year.

Outlook

Toyota expects that overall steady growth of the world economy will continue driven by resource-rich countries and emerging countries in fiscal 2009, despite factors such as concerns about the U.S. economic trend, fluctuations in exchange rates and the stock market, and energy and raw material prices trend. Toyota expects that the global automotive markets will remain at the same level as fiscal 2008. Toyota, for purposes of this discussion, is assuming an average exchange rate of ¥100 to the U.S. dollar and ¥155 to the euro. With the foregoing external factors in mind, Toyota expects that net revenues for fiscal 2009 will decrease compared with fiscal 2008 as a result of the assumed exchange rates of a stronger Japanese yen against the U.S. dollar and the euro partially offset by expected increase in vehicle unit sales. A factor increasing operating income is the sales efforts expected to increase vehicle unit sales. On the other hand, factors decreasing operating income such as the assumed exchange rates of a stronger Japanese yen against the U.S. dollar and the euro and the anticipated increase in depreciation expense are expected to exceed the impact of factors increasing operating income. The effects of cost reduction efforts are expected to be offset by increases in the prices of raw materials. As a result, Toyota expects that operating income will decrease in fiscal 2009 compared with fiscal 2008. Also, Toyota expects income before income taxes, minority interest and equity in earnings of affiliated companies and net income will decrease in fiscal 2009. Exchange rate fluctuations can also materially affect Toyota's operating results. In particular, a strengthening of the Japanese yen against the U.S. dollar can have a material adverse effect on Toyota's operating results. Please see "Operating and Financial Review and Prospects—Operating Results—Overview—Currency Fluctuations."

The foregoing statements are forward-looking statements based upon Toyota's management's assumptions and beliefs regarding exchange rates, market demand for Toyota's products, economic conditions and others. Please see "Cautionary Statement with Respect to Forward-Looking Statements". Toyota's actual results of operations could vary significantly from those described above as a result of unanticipated changes in the factors described above or other factors, including those described in "Risk Factors".

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 2009 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" for information regarding Toyota's material capital expenditures and divestitures for fiscal 2006, 2007 and 2008 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.

Net cash provided by operating activities was ¥2,981.6 billion for fiscal 2008, compared with ¥3,238.1 billion for the prior year. The decrease in net cash provided by operating activities resulted primarily from the increase in cash payments of cost of products sold within the automotive and other operations and the increase in cash payments for income taxes, which was partially offset by an increase in cash collection received from the sale of products within the automotive and other operations.

Net cash used in investing activities was ¥3,874.8 billion for fiscal 2008, compared with ¥3,814.3 billion for the prior year. The increase in net cash used in investing activities resulted primarily from the increase in additions to finance receivables, the increase in purchases of marketable securities and security investments and the increase in additions to fixed assets, which was partially offset by an increase in the collection of finance receivables.

Net cash provided by financing activities was ¥706.1 billion for fiscal 2008, compared with ¥881.7 billion for the prior year. The decrease in net cash provided by financing activities resulted primarily from an increase in repayments of long-term debt which was partially offset by increase in proceeds from issuance of long-term debt.

Total capital expenditures for property, plant and equipment, excluding vehicles and equipment on operating leases, were ¥1,480.5 billion during fiscal 2008, an increase of 3.8% over the ¥1,425.8 billion in total capital expenditures for the prior year. The increase in capital expenditures resulted primarily from the impact of higher investments in subsidiaries located in Japan and North America.

Total expenditures for vehicles and equipment on operating leases were ¥1,279.4 billion during fiscal 2008, an increase of 1.2% over the ¥1,264.3 billion in expenditures in the prior year. The increase in expenditures for vehicles and equipment on operating leases resulted primarily from business expansion in the financial services operations.

Toyota expects investments in property, plant and equipment, excluding vehicles and equipment on operating leases, to be approximately ¥1,400.0 billion during fiscal 2009. Toyota's expected capital expenditures include approximately ¥820.0 billion in Japan, ¥320.0 billion in North America, ¥140.0 billion in Europe, ¥60.0 billion in Asia and ¥60.0 billion in Other.

Based on current 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 2009. 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, Environmental and Safety Standards".

Cash and cash equivalents were ¥1,628.5 billion at March 31, 2008. Most of Toyota's cash and cash equivalents are held in Japanese yen and in U.S. dollars. In addition, time deposits were ¥134.7 billion and marketable securities were ¥542.2 billion at March 31, 2008.

Liquid assets, which Toyota defines as cash and cash equivalents, time deposits, marketable debt securities and its investment in monetary trust funds, decreased during fiscal 2008 by ¥24.3 billion, or 0.5%, to ¥4,480.9 billion.

Trade accounts and notes receivable, net increased during fiscal 2008 by ¥16.4 billion, or 0.8%, to ¥2,040.2 billion, reflecting the impact of increased revenues and offset by the impact of fluctuations in foreign currency translation rates.

Inventories increased during fiscal 2008 by ¥21.8 billion, or 1.2%, to ¥1,825.7 billion, reflecting the impact of increased volumes offset by the impact of fluctuations in foreign currency translation rates.

Total finance receivables, net increased during fiscal 2008 by ¥272.8 billion, or 2.7%, to ¥10,275.8 billion. The increase in finance receivables, net resulted from the increase in wholesale, the increase in other dealer loans including real estate loans and working capital financing provided to dealers, and the increase in finance leases offset by the impact of fluctuations in foreign currency translation rates. As of March 31, 2008, finance receivables were geographically distributed as follows: in North America 61.9%, in Europe 13.1%, in Japan 12.6%, in Asia 4.0% and in Other 8.4%. Toyota maintains programs to sell finance receivables through special purpose entities and obtained proceeds from securitization transactions, net of purchased and retained interests which totaled ¥91.3 billion during fiscal 2008.

Marketable securities and other securities investments, including those included in current assets, decreased during fiscal 2008 by ¥293.9 billion, or 6.9%, primarily reflecting the decrease in fair value of these securities and investments.

Property, plant and equipment increased during fiscal 2008 by ¥48.0 billion, or 0.6%, primarily reflecting an increase in capital expenditures which was partially offset by the depreciation charges during the year and the impact of fluctuations in foreign currency translation rates.

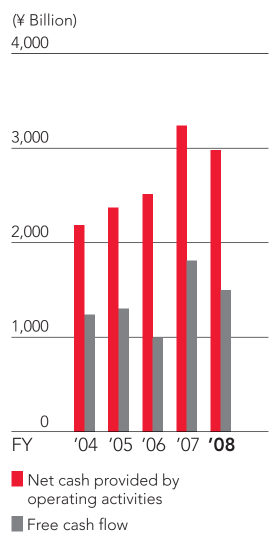
Accounts payable increased during fiscal 2008 by ¥1.2 billion, or 0.1%, reflecting the impact of increased trading volumes offset by the impact of fluctuations in foreign currency translation rates.

Accrued expenses decreased during fiscal 2008 by ¥61.4 billion, or 3.7%, reflecting the impact of fluctuations in foreign currency translation rates offset by the increase in expenses due to the expansion of the business.

Income taxes payable decreased during fiscal 2008 by ¥115.6 billion, or 27.4%, principally as a result of the timing of cash payments for income taxes.

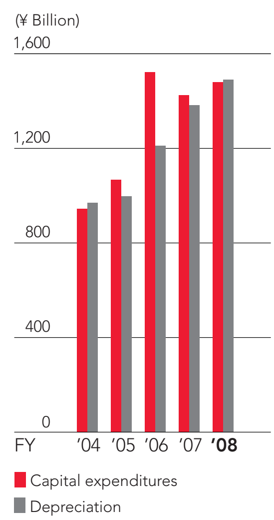
Toyota's total borrowings increased during fiscal 2008 by ¥81.0 billion, or 0.7%. Toyota's short-term borrowings consist of loans with a weighted-average interest rate of 3.36% and commercial paper with a weighted-average interest rate of 3.76%. Short-term borrowings increased during fiscal 2008 by ¥55.4 billion, or 1.6%, to ¥3,552.7 billion. Toyota's long-term debt consists of unsecured and secured loans, medium-term notes,

Net Cash Provided by Operating Activities and Free Cash Flow*



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

Capital Expenditures for Property, Plant and Equipment* and Depreciation



* Excluding vehicles and equipment on operating leases

unsecured notes and long-term capital lease obligations with interest rates ranging from 0.17% to 28.00%, and maturity dates ranging from 2008 to 2047. The current portion of long-term debt increased during fiscal 2008 by ¥307.3 billion, or 13.0%, to ¥2,675.4 billion and the non-current portion decreased by ¥281.6 billion, or 4.5%, to ¥5,981.9 billion. The increase in total borrowings reflects the expansion of the financial services operations. As of March 31, 2008, approximately 34% of long-term debt was denominated in U.S. dollars, 24% in Japanese yen, 10% in euros and 32% 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, 2008, Toyota's total interest bearing debt was 102.9% of total shareholders' equity, compared to 102.5% as of March 31, 2007.

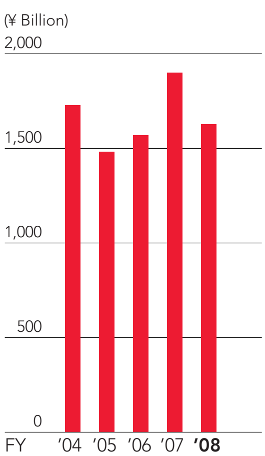
Toyota's long-term debt was rated "AAA" by Standard & Poor's Ratings Group, "Aaa" by Moody's Investors Services and "AAA" by Rating and Investment Information, Inc. as of March 31, 2008. These ratings represent the highest long-term debt ratings published by each of the rating agencies. A credit rating 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 unfunded pension liabilities increased during fiscal 2008 by ¥128.6 billion, or 45.5%, to ¥411.1 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 or in some cases will be funded on the retirement date of each covered employee. The unfunded pension liabilities increased in fiscal 2008 compared to the prior year mainly due to the decrease in the market value of plan assets. See note 19 to the consolidated financial statements regarding employee benefit plans.

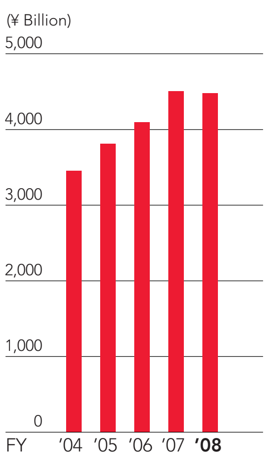
Toyota's treasury policy is to maintain controls on all exposures, to adhere to stringent counterparty credit standards, and to actively monitor marketplace exposures. Toyota remains centralized, and is pursuing global efficiency of its financial services operations through Toyota Financial Services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

Cash and Cash Equivalents at End of Year

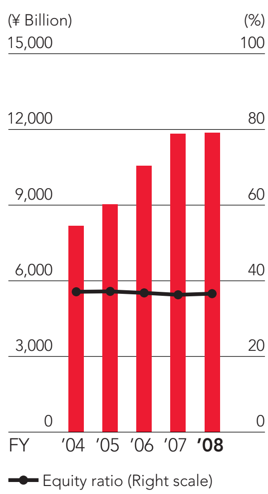


Liquid Assets*



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

Shareholders' Equity and Equity Ratio



Off-Balance Sheet Arrangements

Toyota uses its securitization program as part of its funding for its financial services operations. See note 7 to the consolidated financial statements regarding the finance receivables.

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's 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 ¥1,967.0 billion as of March 31, 2008.

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 ¥1,715.0 billion as of March 31, 2008.

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, 2008, ranged 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, 2008 is ¥1,460.3 billion. Liabilities for these guarantees of ¥3.9 billion have been provided as of March 31, 2008. 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 lease obligations 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, 2008:

	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	¥ 1,226,717	¥1,226,717	¥ —	¥ —	¥ —
Commercial paper	2,326,004	2,326,004	—	—	—
Long-term debt* (note 13)	8,613,799	2,668,022	3,418,054	1,376,392	1,151,331
Capital lease obligations (note 13)	43,563	7,409	31,912	2,963	1,279
Non-cancelable operating lease obligations (note 22)	54,451	11,335	16,293	10,439	16,384
Commitments for the purchase of property, plant and other assets (note 23)	173,720	122,833	15,682	17,560	17,645
Total	¥12,438,254	¥6,362,320	¥3,481,941	¥1,407,354	¥1,186,639

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

Toyota is unable to make reasonable estimates of the period of cash settlement, and accordingly liabilities recognized for uncertain tax benefits are excluded from the table above. See note 16 to the consolidated financial statements regarding the income taxes.

Toyota expects to contribute ¥153,030 million to its pension plans in fiscal 2009.

	Yen in millions				
	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		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)	¥1,460,362	¥439,974	¥667,914	¥273,575	¥78,899
Total Commercial Commitments	¥1,460,362	¥439,974	¥667,914	¥273,575	¥78,899

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 October 2000, the European Union enforced a directive that requires member states to promulgate regulations implementing the following:

- 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 after December 15, 2008 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 to 85% and 95%, respectively, by 2015.

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

Recent Accounting Pronouncements in the United States

In September 2006, FASB issued FAS No. 157, *Fair Value Measurements* ("FAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal year beginning after November 15, 2007. Management does not expect this Statement to have a material impact on Toyota's consolidated financial statements.

In September 2006, FASB issued FAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (*"FAS 158"*). FAS 158 requires employers to measure the funded status of their defined benefit postretirement plans as of the date of their year-end statement of financial position. This provision in FAS 158 regarding a measurement date is effective for fiscal year ending after December 15, 2008. Management does not expect this provision to have a material impact on Toyota's consolidated financial statements.

In February 2007, FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("FAS 159"). FAS 159 permits entities to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis and subsequent change in fair value must be recorded in earnings at each reporting date. FAS 159 is effective for fiscal year beginning after November 15, 2007. Management is evaluating the impact of adopting FAS 159 on Toyota's consolidated financial statements.

In December 2007, FASB issued FAS No. 141(R), *Business Combinations* ("FAS 141(R)"). FAS 141(R) establishes principles and requirements for how the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest, and the goodwill acquired in a business combination or a gain from a bargain purchase. Also, FAS 141(R) provides several new disclosure requirements that enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is effective to business combinations on and after the beginning of fiscal year beginning on or after December 15, 2008. The impact of adopting FAS 141(R) on Toyota's consolidated financial statements will depend on the nature and significance of any acquisitions in the future period.

In December 2007, FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of "ARB" No. 51* ("FAS 160"). FAS 160 amends the guidance in Accounting Research Bulletin ("ARB") No. 51, *Consolidated Financial Statements* ("ARB 51"), to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 is effective for fiscal years beginning on or after December 15, 2008. The presentation and disclosure requirements shall be applied retrospectively for all periods presented in the consolidated financial statements in which FAS 160 is initially applied. Management is evaluating the impact of adopting FAS 160 on Toyota's consolidated financial statements.

In March 2008, FASB issued FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities— an amendment of FASB Statement No. 133* ("FAS 161"). FAS 161 changes and enhances the current disclosure requirements for derivative instruments and hedging activities under FAS 133. FAS 161 is effective for financial statements for fiscal years beginning after November 15, 2008. Management does not expect this Statement to have a material impact on Toyota's consolidated financial statements.

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 assumptions:

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 includes 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 of product failures as well as current information on repair costs. The amount of warranty costs accrued also contains an estimate of warranty claim recoveries to be received from suppliers. The foregoing evaluations are inherently uncertain, as they require material estimates and some products' warranties extend for several years. Consequently, actual warranty costs 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 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, 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 has a greater impact on Toyota's results of operations, is influenced primarily by two factors: frequency of occurrence and severity of loss. 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 balances that are homogenous retail finance receivables and lease earning assets. The dealer portfolio consists of wholesale and other dealer financing receivables. 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 severity of loss. 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 severity of loss, 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, 2008
10 percent increase in expected severity of loss....	¥6,713

Investment in Operating Leases

• Natures of Estimates and Assumptions

Vehicles on operating leases, where Toyota is the lessor, are valued at cost and depreciated over their estimated useful lives using the straight-line method to their estimated residual values. 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. Severity of loss 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 residual value losses, holding all other assumptions constant. The following table represents the impact on the residual value losses in Toyota's financial services operations as those changes have a significant impact on financing operations.

	Yen in millions
	Effect on the residual value losses over the remaining terms of the operating leases on and after April 1, 2008
1 percent increase in vehicle return rate.............	¥1,202

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 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.

The two most critical assumptions impacting the calculation of pension costs and obligations are the discount rates and the expected rates of returns on plan assets. Toyota determines the discount rates mainly based on the rates of high quality fixed income bonds or fixed income governmental bonds currently available and expected to be available during the period to maturity of the defined benefit pension plans. Toyota determines the expected rates of return for pension assets 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. A weighted-average discount rate of 2.7% and a weighted-average expected rate of return on plan assets of 3.4% are the results of assumption used for the various pension plans in calculating Toyota's consolidated pension costs for fiscal 2008. Also, a weighted-average discount rate of 2.8% is the result of assumption used for the various pension plans in calculating Toyota's consolidated pension obligations for fiscal 2008.

• Sensitivity Analysis

The following table illustrates the effects of assumed changes in weighted-average discount rate and the weighted-average 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, 2009	Effect on PBO as of March 31, 2008
Discount rates		
0.5% decrease	¥(12,386)	¥127,310
0.5% increase	12,028	(109,674)
Expected rate of return on plan assets		
0.5% decrease	¥(6,410)	
0.5% increase	6,410	

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 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 under 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 net 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 Disclosures

Toyota is exposed to market risk from changes in foreign currency exchange rates, interest rates, 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 U.S. dollar and the euro.

Toyota uses a value-at-risk analysis ("VAR") to evaluate its exposure to changes in foreign currency exchange rates. The VAR of the combined foreign exchange position represents a potential loss in pre-tax earnings that was estimated to be ¥33.1 billion as of March 31, 2007 and ¥44.3 billion as of March 31, 2008. Based on Toyota's overall currency exposure (including derivative positions), the risk during the year ended March 31, 2008 to pre-tax cash flow from currency movements was on average ¥47.0 billion, with a high of ¥53.8 billion and a low of ¥41.9 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. The potential decrease in fair value resulting from a hypothetical 100 basis point upward shift in interest rates would be approximately ¥99.5 billion as of March 31, 2007 and ¥110.6 billion as of March 31, 2008.

There are certain shortcomings inherent to the sensitivity analyses presented. The model assumes that 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 alloys (e.g., aluminum), precious metals (e.g., palladium, platinum and rhodium) and ferrous alloys, 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 that are subject to price risk. The fair value of available-for-sale equity securities was ¥1,679.8 billion as of March 31, 2007 and ¥1,177.0 billion as of March 31, 2008. The potential change in the fair value of these investments, assuming a 10% change in prices, would be approximately ¥168.0 billion as of March 31, 2007 and ¥117.7 billion as of March 31, 2008.

Consolidated Balance Sheets

Toyota Motor Corporation
March 31, 2007 and 2008

	Yen in millions		U.S. dollars in millions
ASSETS	2007	**2008**	**2008**
Current assets			
Cash and cash equivalents	¥ 1,900,379	**¥ 1,628,547**	**$ 16,255**
Time deposits	26,709	**134,773**	**1,345**
Marketable securities	435,463	**542,210**	**5,412**
Trade accounts and notes receivable, less allowance for doubtful accounts of ¥24,782 million in 2007 and ¥17,471 million ($175 million) in 2008	2,023,818	**2,040,233**	**20,364**
Finance receivables, net	4,108,139	**4,301,142**	**42,930**
Other receivables	486,170	**523,533**	**5,225**
Inventories	1,803,956	**1,825,716**	**18,222**
Deferred income taxes	551,503	**563,220**	**5,621**
Prepaid expenses and other current assets	544,274	**526,853**	**5,259**
Total current assets	11,880,411	**12,086,227**	**120,633**
Noncurrent finance receivables, net	5,894,925	**5,974,756**	**59,634**
Investments and other assets			
Marketable securities and other securities investments	3,829,852	**3,429,238**	**34,227**
Affiliated companies	2,058,177	**2,098,556**	**20,946**
Employees receivables	96,742	**70,776**	**707**
Other	1,050,633	**986,765**	**9,849**
Total investments and other assets	7,035,404	**6,585,335**	**65,729**
Property, plant and equipment			
Land	1,233,137	**1,262,034**	**12,597**
Buildings	3,444,764	**3,580,607**	**35,738**
Machinery and equipment	9,184,751	**9,270,650**	**92,531**
Vehicles and equipment on operating leases	2,890,369	**2,922,325**	**29,168**
Construction in progress	349,465	**360,620**	**3,599**
	17,102,486	**17,396,236**	**173,633**
Less—Accumulated depreciation	(9,338,447)	**(9,584,234)**	**(95,661)**
Property, plant and equipment, net	7,764,039	**7,812,002**	**77,972**
Total assets	¥32,574,779	**¥32,458,320**	**$323,968**

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Yen in millions 2007	Yen in millions 2008	U.S. dollars in millions 2008
Current liabilities			
Short-term borrowings	¥ 3,497,391	**¥ 3,552,721**	**$ 35,460**
Current portion of long-term debt	2,368,116	**2,675,431**	**26,703**
Accounts payable	2,211,586	**2,212,773**	**22,086**
Other payables	807,481	**806,514**	**8,050**
Accrued expenses	1,668,337	**1,606,964**	**16,039**
Income taxes payable	421,196	**305,592**	**3,050**
Other current liabilities	793,063	**780,747**	**7,793**
Total current liabilities	11,767,170	**11,940,742**	**119,181**
Long-term liabilities			
Long-term debt	6,263,585	**5,981,931**	**59,706**
Accrued pension and severance costs	640,586	**632,297**	**6,311**
Deferred income taxes	1,312,400	**1,099,006**	**10,969**
Other long-term liabilities	126,702	**278,150**	**2,777**
Total long-term liabilities	8,343,273	**7,991,384**	**79,763**
Minority interest in consolidated subsidiaries	628,244	**656,667**	**6,554**
Shareholders' equity			
Common stock, no par value, authorized: 10,000,000,000 shares in 2007 and 2008; issued: 3,609,997,492 shares in 2007 and 3,447,997,492 shares in 2008	397,050	**397,050**	**3,963**
Additional paid-in capital	497,593	**497,569**	**4,966**
Retained earnings	11,764,713	**12,408,550**	**123,850**
Accumulated other comprehensive income (loss)	701,390	**(241,205)**	**(2,407)**
Treasury stock, at cost, 412,060,800 shares in 2007 and 298,717,640 shares in 2008	(1,524,654)	**(1,192,437)**	**(11,902)**
Total shareholders' equity	11,836,092	**11,869,527**	**118,470**
Commitments and contingencies			
Total liabilities and shareholders' equity	¥32,574,779	**¥32,458,320**	**$323,968**

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, 2006, 2007 and 2008

	Yen in millions			U.S. dollars in millions
	2006	2007	**2008**	**2008**
Net revenues				
Sales of products	¥20,059,493	¥22,670,097	**¥24,820,510**	**$247,734**
Financing operations	977,416	1,277,994	**1,468,730**	**14,660**
	21,036,909	23,948,091	**26,289,240**	**262,394**
Costs and expenses				
Cost of products sold	16,335,312	18,356,255	**20,452,338**	**204,135**
Cost of financing operations	609,632	872,138	**1,068,015**	**10,660**
Selling, general and administrative	2,213,623	2,481,015	**2,498,512**	**24,938**
	19,158,567	21,709,408	**24,018,865**	**239,733**
Operating income	1,878,342	2,238,683	**2,270,375**	**22,661**
Other income (expense)				
Interest and dividend income	93,970	131,939	**165,676**	**1,654**
Interest expense	(21,601)	(49,326)	**(46,113)**	**(460)**
Foreign exchange gain, net	10,789	33,005	**9,172**	**91**
Other income, net	125,860	28,215	**38,112**	**380**
	209,018	143,833	**166,847**	**1,665**
Income before income taxes, minority interest and equity in earnings of affiliated companies	2,087,360	2,382,516	**2,437,222**	**24,326**
Provision for income taxes	795,153	898,312	**911,495**	**9,098**
Income before minority interest and equity in earnings of affiliated companies	1,292,207	1,484,204	**1,525,727**	**15,228**
Minority interest in consolidated subsidiaries	(84,393)	(49,687)	**(77,962)**	**(778)**
Equity in earnings of affiliated companies	164,366	209,515	**270,114**	**2,696**
Net income	¥ 1,372,180	¥ 1,644,032	**¥ 1,717,879**	**$ 17,146**

	Yen			U.S. dollars
Net income per share				
—Basic	¥421.76	¥512.09	**¥540.65**	**$5.40**
—Diluted	¥421.62	¥511.80	**¥540.44**	**$5.39**
Cash dividends per share	¥ 90.00	¥120.00	**¥140.00**	**$1.40**

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, 2006, 2007 and 2008

	Yen in millions					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total shareholders' equity
Balances at March 31, 2005	¥397,050	¥495,707	¥ 9,332,176	¥ (80,660)	¥(1,099,323)	¥ 9,044,950
Issuance during the year		(457)				(457)
Comprehensive income						
Net income			1,372,180			1,372,180
Other comprehensive income						
Foreign currency translation adjustments				268,410		268,410
Unrealized gains on securities, net of reclassification adjustments				244,629		244,629
Minimum pension liability adjustments				4,937		4,937
Total comprehensive income						1,890,156
Dividends paid			(244,568)			(244,568)
Purchase and reissuance of common stock					(129,632)	(129,632)
Balances at March 31, 2006	397,050	495,250	10,459,788	437,316	(1,228,955)	10,560,449
Issuance during the year		2,343				2,343
Comprehensive income						
Net income			1,644,032			1,644,032
Other comprehensive income						
Foreign currency translation adjustments				130,746		130,746
Unrealized gains on securities, net of reclassification adjustments				38,800		38,800
Minimum pension liability adjustments				3,499		3,499
Total comprehensive income						1,817,077
Adjustment to initially apply FAS No. 158				91,029		91,029
Dividends paid			(339,107)			(339,107)
Purchase and reissuance of common stock					(295,699)	(295,699)
Balances at March 31, 2007	397,050	497,593	11,764,713	701,390	(1,524,654)	11,836,092
Issuance during the year		3,475				3,475
Comprehensive income						
Net income			1,717,879			1,717,879
Other comprehensive income (loss)						
Foreign currency translation adjustments				(461,189)		(461,189)
Unrealized losses on securities, net of reclassification adjustments				(347,829)		(347,829)
Pension liability adjustments				(133,577)		(133,577)
Total comprehensive income						775,284
Dividends paid			(430,860)			(430,860)
Purchase and reissuance of common stock					(314,464)	(314,464)
Retirement of common stock		(3,499)	(643,182)		646,681	—
Balances at March 31, 2008	**¥397,050**	**¥497,569**	**¥12,408,550**	**¥(241,205)**	**¥(1,192,437)**	**¥11,869,527**

	U.S. dollars in millions					
	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock, at cost	Total shareholders' equity
Balances at March 31, 2007	$3,963	$4,966	$117,424	$7,001	$(15,218)	$118,136
Issuance during the year		35				35
Comprehensive income						
Net income			17,146			17,146
Other comprehensive income (loss)						
Foreign currency translation adjustments				(4,603)		(4,603)
Unrealized losses on securities, net of reclassification adjustments				(3,472)		(3,472)
Pension liability adjustments				(1,333)		(1,333)
Total comprehensive income						7,738
Dividends paid			(4,300)			(4,300)
Purchase and reissuance of common stock					(3,139)	(3,139)
Retirement of common stock		(35)	(6,420)		6,455	—
Balances at March 31, 2008	**$3,963**	**$4,966**	**$123,850**	**$(2,407)**	**$(11,902)**	**$118,470**

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, 2006, 2007 and 2008

	Yen in millions			U.S. dollars in millions
	2006	2007	**2008**	**2008**
Cash flows from operating activities				
Net income	¥ 1,372,180	¥ 1,644,032	**¥ 1,717,879**	**$ 17,146**
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation	1,211,178	1,382,594	**1,491,135**	**14,883**
Provision for doubtful accounts and credit losses	62,646	71,862	**122,790**	**1,226**
Pension and severance costs, less payments	23,860	(32,054)	**(54,341)**	**(542)**
Losses on disposal of fixed assets	54,981	50,472	**45,437**	**454**
Unrealized losses on available-for-sale securities, net	4,163	4,614	**11,346**	**113**
Deferred income taxes	33,262	132,308	**81,458**	**813**
Minority interest in consolidated subsidiaries	84,393	49,687	**77,962**	**778**
Equity in earnings of affiliated companies	(164,366)	(209,515)	**(270,114)**	**(2,696)**
Changes in operating assets and liabilities, and other				
Increase in accounts and notes receivable	(297,598)	(212,856)	**(206,793)**	**(2,064)**
Increase in inventories	(248,823)	(133,698)	**(149,984)**	**(1,497)**
Increase in other current assets	(89,723)	(108,767)	**(82,737)**	**(826)**
Increase in accounts payable	188,702	104,188	**62,241**	**621**
Increase (decrease) in accrued income taxes	54,052	74,255	**(118,030)**	**(1,178)**
Increase in other current liabilities	203,075	264,490	**206,911**	**2,065**
Other	23,498	156,561	**46,464**	**464**
Net cash provided by operating activities	2,515,480	3,238,173	**2,981,624**	**29,760**
Cash flows from investing activities				
Additions to finance receivables	(6,618,335)	(7,489,096)	**(8,647,717)**	**(86,313)**
Collection of finance receivables	5,635,754	6,190,661	**7,223,573**	**72,099**
Proceeds from sale of finance receivables	102,854	84,083	**109,124**	**1,089**
Additions to fixed assets excluding equipment leased to others	(1,523,459)	(1,425,814)	**(1,480,570)**	**(14,778)**
Additions to equipment leased to others	(1,106,425)	(1,264,381)	**(1,279,405)**	**(12,770)**
Proceeds from sales of fixed assets excluding equipment leased to others	89,578	64,421	**67,551**	**674**
Proceeds from sales of equipment leased to others	390,205	321,761	**375,881**	**3,752**
Purchases of marketable securities and security investments	(957,296)	(1,068,205)	**(1,151,640)**	**(11,495)**
Proceeds from sales of marketable securities and security investments	157,707	148,442	**165,495**	**1,652**
Proceeds upon maturity of marketable securities and security investments	533,325	676,729	**821,915**	**8,204**
Payment for additional investments in affiliated companies, net of cash acquired	(1,802)	(1,651)	**(4,406)**	**(44)**
Changes in investments and other assets, and other	(77,606)	(51,328)	**(74,687)**	**(745)**
Net cash used in investing activities	(3,375,500)	(3,814,378)	**(3,874,886)**	**(38,675)**
Cash flows from financing activities				
Purchase of common stock	(129,629)	(295,699)	**(311,667)**	**(3,111)**
Proceeds from issuance of long-term debt	1,928,788	2,890,000	**3,349,812**	**33,434**
Payments of long-term debt	(1,187,506)	(1,726,823)	**(2,310,008)**	**(23,056)**
Increase in short-term borrowings	509,826	353,397	**408,912**	**4,081**
Dividends paid	(244,568)	(339,107)	**(430,860)**	**(4,300)**
Net cash provided by financing activities	876,911	881,768	**706,189**	**7,048**
Effect of exchange rate changes on cash and cash equivalents	68,743	25,429	**(84,759)**	**(846)**
Net increase (decrease) in cash and cash equivalents	85,634	330,992	**(271,832)**	**(2,713)**
Cash and cash equivalents at beginning of year	1,483,753	1,569,387	**1,900,379**	**18,968**
Cash and cash equivalents at end of year	¥ 1,569,387	¥ 1,900,379	**¥ 1,628,547**	**$ 16,255**

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 is 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 financing, vehicle and equipment leasing and certain other financial services primarily to its dealers and their customers to support the sales of vehicles and other products 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 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 fiscal year in which such sales occur.

Other costs

Advertising and sales promotion costs are expensed as incurred. Advertising costs were ¥397,599 million, ¥451,182 million and ¥484,508 million ($4,836 million) for the years ended March 31, 2006, 2007 and 2008, 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 ¥812,648 million, ¥890,782 million and ¥958,882 million ($9,571 million) for the years ended March 31, 2006, 2007 and 2008, 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 unrealized gains or losses included as a component of accumulated other comprehensive income in shareholders' equity, net of applicable taxes. Individual securities classified as available-for-sale 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 ¥357,055 million and ¥283,735 million ($2,832 million) at March 31, 2007 and 2008, respectively. Had the "first-in, first-out" basis been used for those companies using the LIFO basis, inventories would have been ¥13,780 million and ¥30,360 million ($303 million) higher than reported at March 31, 2007 and 2008, 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 2 to 65 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 5 years, to the estimated residual value.

Long-lived assets

Toyota reviews its long-lived assets 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 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"). Toyota adopted the provisions regarding recognition of funded status and disclosure under FAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)* ("FAS 158") as of March 31, 2007. Under the provisions of FAS 158, the overfunded or underfunded status of the defined benefit postretirement plans is recognized on the consolidated balance sheets as prepaid pension and severance costs or accrued pension and severance costs, and the funded status change is recognized in the year in which it occurs through comprehensive income. Prior to the adoption of FAS 158, a minimum pension liability had been recorded for plans where the accumulated benefit obligation net of plan assets exceeded the accrued pension and severance costs. After the adoption of FAS 158, a minimum pension liability is not recorded.

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 based on the grant-date fair value of the award from the fiscal year beginning on April 1, 2006. Toyota accounts for the stock-based compensation plans in accordance with FAS No. 123(R), *Share—Based Payment (revised 2004)* ("FAS 123(R)").

Prior to the adoption of FAS 123(R), Toyota measured compensation expense using the intrinsic value method under the recognition and measurement principles of the Accounting Principles Board ("APB") Opinion No. 25, *Accounting for Stock Issued to Employees* ("APB 25"), and related Interpretations. No stock-based compensation expense was reflected in net income, as all options granted under Toyota's stock-based compensation plan 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 for the prior year to the adoption of FAS 123(R) that ended March 31, 2006, 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 For the year ended March 31, 2006
Net income	
As reported	¥1,372,180
Deduct: Total stock-based compensation expenses determined under fair value based method for all awards, net of related tax effects	(1,449)
Pro forma	¥1,370,731

Net income per share		
—Basic	As reported	¥421.76
	Pro forma	421.32
—Diluted	As reported	¥421.62
	Pro forma	421.18

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 and adjustments attributed to pension liabilities or minimum pension liabilities associated with Toyota's defined benefit pension plans.

Accounting changes

In February 2006, the Financial Accounting Standard Board ("FASB") issued FAS No. 155, *Accounting for Certain Hybrid Instruments* ("FAS 155"), which permits, but does not require, fair value accounting for any hybrid financial instrument that contains an embedded derivative that would otherwise require bifurcation in accordance with FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("FAS 133"). The Statement also subjects beneficial interests issued by securitization vehicles to the requirements of FAS 133. Toyota adopted FAS 155 from the fiscal year begun after September 15, 2006. The adoption of FAS 155 did not have material impact on Toyota's consolidated financial statements.

In March 2006, FASB issued FAS No. 156, *Accounting for Servicing of Financial Assets* ("FAS 156"), which amends FAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("FAS 140"), with respect to the accounting for separately recognized servicing assets and servicing liabilities. Toyota adopted FAS 156 from the fiscal year begun after September 15, 2006. The adoption of FAS 156 did not have material impact on Toyota's consolidated financial statements.

In June 2006, FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in tax positions and requires a company to recognize in its financial statements, the impact of a tax position, if that position is more likely than not to be sustained on audit, based on the technical merits of the position. Toyota adopted FIN 48 from the fiscal year begun after December 15, 2006. See note 16 to the consolidated financial statements for the impact of the adoption of the interpretation on Toyota's consolidated financial statements.

Recent pronouncements to be adopted in future periods

In September 2006, FASB issued FAS No. 157, *Fair Value Measurements* ("FAS 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for financial statements issued for fiscal year beginning after November 15, 2007. Management does not expect this Statement to have a material impact on Toyota's consolidated financial statements.

In September 2006, FASB issued FAS 158. FAS 158 requires employers to measure the funded status of their defined benefit postretirement plans as of the date of their year-end statement of financial position. This provision in FAS 158 regarding a measurement date is effective for fiscal year ending after December 15, 2008. Management does not expect this provision to have a material impact on Toyota's consolidated financial statements.

In February 2007, FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115* ("FAS 159"). FAS 159 permits entities to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis and subsequent change in fair value must be recorded in earnings at each reporting date. FAS 159 is effective for fiscal year beginning after November 15, 2007. Management is evaluating the impact of adopting FAS 159 on Toyota's consolidated financial statements.

In December 2007, FASB issued FAS No. 141(R), *Business Combinations* ("FAS 141(R)"). FAS 141(R) establishes principles and requirements for how the acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest, and the goodwill acquired in a business combination or a gain from a bargain purchase. Also, FAS 141(R) provides several new disclosure requirements that enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 141(R) is effective to business combinations on and after the beginning of fiscal year beginning on or after December 15, 2008. The impact of adopting FAS 141(R) on Toyota's consolidated financial statements will depend on the nature and significance of any acquisitions in the future period.

In December 2007, FASB issued FAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51* ("FAS 160"). FAS 160 amends the guidance in Accounting Research Bulletin ("ARB") No. 51, *Consolidated Financial Statements* ("ARB 51"), to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. FAS 160 is effective for fiscal year beginning on or after December 15, 2008. The presentation and disclosure requirements shall be applied retrospectively for all periods presented in the consolidated financial statements in which FAS 160 is initially applied. Management is evaluating the impact of adopting FAS 160 on Toyota's consolidated financial statements.

In March 2008, FASB issued FAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* ("FAS 161"). FAS 161 changes and enhances the current disclosure requirements for derivative instruments and hedging activities under FAS 133. FAS 161 is effective for financial statements for fiscal years beginning after November 15, 2008. Management does not expect this Statement to have a material impact on Toyota's consolidated financial statements.

Reclassifications

During the year ended March 31, 2008, certain leases that historically have been accounted for as operating leases, were corrected to be accounted for as finance leases. This resulted in the recognition of current and noncurrent finance receivables and revenue from financing operations related to finance leases, and the derecognition of vehicles and equipment on operating leases, accumulated depreciation, revenue from financing operations related to operating leases, cost of financing operations including depreciation expense, cash provided by operating activities and cash used in investing activities, as of and for the year ended March 31, 2008. Certain prior year amounts have been reclassified to conform to the presentations as of and for the year ended March 31, 2008. At March 31, 2007, the adjustments resulted in an increase in current assets and a decrease in noncurrent assets. For the years ended March 31, 2006 and 2007, the adjustments resulted in decreases to both additions to equipment leased to others and proceeds from sales of equipment leased to others, and increases to both additions to finance receivables and collection of finance receivables. These adjustments are immaterial to Toyota's consolidated financial statements for all periods presented.

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 ¥100.19 = U.S. $1, the approximate current exchange rate at March 31, 2008, was used for the translation of the accompanying consolidated financial amounts of Toyota as of and for the year ended March 31, 2008.

4. Supplemental cash flow information:

Cash payments for income taxes were ¥730,469 million, ¥741,798 million and ¥921,798 million ($9,200 million) for the years ended March 31, 2006, 2007 and 2008, respectively. Interest payments during the years ended March 31, 2006, 2007 and 2008 were ¥332,337 million, ¥550,398 million and ¥686,215 million ($6,849 million), respectively.

Capital lease obligations of ¥6,673 million, ¥6,559 million and ¥7,401 million ($74 million) were incurred for the years ended March 31, 2006, 2007 and 2008, respectively.

5. Acquisitions and dispositions:

During the years ended March 31, 2006, 2007 and 2008, Toyota made several acquisitions, however the 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, 2007			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	¥2,454,283	¥ 18,141	¥12,172	¥2,460,252
Equity securities	859,628	821,518	1,259	1,679,887
Total	¥3,313,911	¥839,659	¥13,431	¥4,140,139
Securities not practicable to determine fair value				
Debt securities	¥ 24,322			
Equity securities	100,854			
Total	¥125,176			

	Yen in millions			
	March 31, 2008			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	**¥2,602,951**	**¥ 52,345**	**¥ 4,673**	**¥2,650,623**
Equity securities	**853,174**	**342,596**	**18,681**	**1,177,089**
Total	**¥3,456,125**	**¥394,941**	**¥23,354**	**¥3,827,712**
Securities not practicable to determine fair value				
Debt securities	**¥ 30,239**			
Equity securities	**113,497**			
Total	**¥143,736**			

	U.S. dollars in millions			
	March 31, 2008			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale				
Debt securities	**$25,980**	**$ 523**	**$ 47**	**$26,456**
Equity securities	**8,515**	**3,419**	**186**	**11,748**
Total	**$34,495**	**$3,942**	**$233**	**$38,204**
Securities not practicable to determine fair value				
Debt securities	**$ 302**			
Equity securities	**1,133**			
Total	**$1,435**			

Unrealized losses continuing over a 12 month period or more in the aggregate were not material at March 31, 2007 and 2008.

At March 31, 2007 and 2008, debt securities classified as available-for-sale mainly consist of government bonds and corporate debt securities with maturities from 1 to 10 years.

Proceeds from sales of available-for-sale securities were ¥157,707 million, ¥148,442 million and ¥165,495 million ($1,652 million) for the years ended March 31, 2006, 2007 and 2008, respectively. On those sales, gross realized gains were ¥2,104 million, ¥8,832 million and ¥18,766 million ($187 million) and gross realized losses were ¥1,207 million, ¥317 million and ¥21 million ($0 million), respectively.

During the year ended March 31, 2006, in accordance with EITF Issue No. 91-5, *Nonmonetary Exchange of Cost-Method Investments,* Toyota reclassified ¥143,366 million of gain from Unrealized gains on securities included in "Accumulated other comprehensive income" on the consolidated balance sheet to Other income included in "Other income, net" on the consolidated statement of income. The gain was recognized based on the merger between UFJ Holdings, Inc. and Mitsubishi Tokyo Financial Group, Inc. on October 1, 2005, and determined as the amount between the cost of the pre-merger entity, UFJ Holdings, Inc. common shares which Toyota had continuously held and the fair market value of the post-merger entity, Mitsubishi UFJ Financial Group, Inc. common shares which Toyota received in exchange for UFJ Holdings, Inc. common shares. The gain was non-cash gain and included in the cost of the available-for-sale equity securities.

During the years ended March 31, 2006, 2007 and 2008, Toyota recognized impairment losses on available-for-sale securities of ¥4,163 million, ¥4,614 million, and ¥11,346 million ($113 million), respectively, which are included in "Other income, 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 carrying value 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,
	2007	**2008**	**2008**
Retail	¥ 7,005,631	**¥ 6,959,479**	**$ 69,463**
Finance leases	1,061,738	**1,160,401**	**11,582**
Wholesale and other dealer loans	2,342,926	**2,604,411**	**25,995**
	10,410,295	**10,724,291**	**107,040**
Deferred origination costs	108,076	**106,678**	**1,065**
Unearned income	(403,191)	**(437,365)**	**(4,366)**
Allowance for credit losses	(112,116)	**(117,706)**	**(1,175)**
Total finance receivables, net	10,003,064	**10,275,898**	**102,564**
Less—Current portion	(4,108,139)	**(4,301,142)**	**(42,930)**
Noncurrent finance receivables, net	¥ 5,894,925	**¥ 5,974,756**	**$ 59,634**

The contractual maturities of retail receivables, the future minimum lease payments on finance leases and wholesale and other dealer loans at March 31, 2008 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
2009	**¥1,992,899**	**¥272,261**	**¥2,109,716**	**$19,891**	**$2,718**	**$21,057**
2010	**1,744,911**	**195,266**	**143,833**	**17,416**	**1,949**	**1,436**
2011	**1,442,464**	**173,664**	**104,150**	**14,398**	**1,733**	**1,040**
2012	**965,618**	**74,552**	**75,085**	**9,638**	**744**	**749**
2013	**530,228**	**21,607**	**72,583**	**5,292**	**216**	**724**
Thereafter	**283,359**	**1,436**	**99,044**	**2,828**	**14**	**989**
	¥6,959,479	**¥738,786**	**¥2,604,411**	**$69,463**	**$7,374**	**$25,995**

Finance leases consist of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Minimum lease payments	¥ 679,311	**¥ 738,786**	**$ 7,374**
Estimated unguaranteed residual values	382,427	**421,615**	**4,208**
	1,061,738	**1,160,401**	**11,582**
Deferred origination costs	3,348	**4,414**	**44**
Less—Unearned income	(100,035)	**(118,831)**	**(1,186)**
Less—Allowance for credit losses	(4,999)	**(4,592)**	**(46)**
Finance leases, net	¥ 960,052	**¥1,041,392**	**$10,394**

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 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 the contractual cash flows of the securitized receivables, retained subordinated interests, any cash reserve funds and any amounts available or funded under 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.

During the year ended March 31, 2008, Toyota sold mortgage loan receivables, while no other retail and finance lease receivables were securitized.

The following table summarizes certain cash flows received from and paid to the securitization trusts for the years ended March 31, 2006, 2007 and 2008.

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2006	2007	**2008**	**2008**
Proceeds from new securitizations, net of purchased and retained securities	¥ 88,698	¥69,018	**¥91,385**	**$912**
Servicing fees received	2,297	1,881	**1,682**	**17**
Excess interest received from interest only strips	4,219	2,818	**1,865**	**19**
Repurchases of receivables	(50,086)	—	**(4,681)**	**(47)**
Servicing advances	(453)	(234)	**(114)**	**(1)**
Reimbursement of servicing and maturity advances	793	234	**114**	**1**

Toyota sold finance receivables under the program and recognized pretax gains resulting from these sales of ¥837 million, ¥1,589 million and ¥1,688 million ($17 million) for the years ended March 31, 2006, 2007 and 2008, 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, 2007 and 2008, Toyota's retained interests relating to these securitizations include interest in trusts, interest-only strips, and other receivables, amounting to ¥16,033 million and ¥23,876 million ($238 million), respectively.

Toyota recorded no impairments on retained interests for the years ended March 31, 2006, 2007 and 2008. Impairments are calculated, if any, by discounting cash flows using management's estimates and other key economic assumptions.

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, 2006, 2007 and 2008 were as follows:

	For the years ended March 31,		
	2006	2007	**2008**
Prepayment speed related to securitizations	0.7%–1.4%	0.7%–1.4%	**6.0%**
Weighted-average life (in years)	1.72–2.06	1.90–2.57	**9.00**
Expected annual credit losses	0.05%–0.18%	0.05%–0.12%	**0.05%**
Discount rate used on the retained interests	5.0%	5.0%	**3.8%**

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 finance receivables securitized for the years ended March 31, 2006, 2007 and 2008 were 0.19%, 0.16% and 0.26%, 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,
	2008	**2008**
Prepayment speed assumption (annual rate)	**0.5%–6.0%**	
Impact on fair value of 10% adverse change	**¥ (302)**	**$ (3)**
Impact on fair value of 20% adverse change	**(514)**	**(5)**
Residual cash flows discount rate (annual rate)	**3.3%–6.0%**	
Impact on fair value of 10% adverse change	**¥ (708)**	**$ (7)**
Impact on fair value of 20% adverse change	**(1,376)**	**(14)**
Expected credit losses (annual rate)	**0.05%–0.18%**	
Impact on fair value of 10% adverse change	**¥ (14)**	**$ (0)**
Impact on fair value of 20% adverse change	**(29)**	**(0)**

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, 2007 and 2008 are as follows:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Principal amount outstanding	¥7,839,445	**¥7,867,964**	**$78,530**
Delinquent amounts over 60 days or more	58,662	**79,313**	**792**
Comprised of:			
Receivables owned	¥7,664,178	**¥7,682,515**	**$76,679**
Receivables securitized	175,267	**185,449**	**1,851**

Credit losses, net of recoveries attributed to managed retail and lease receivables for the years ended March 31, 2006, 2007 and 2008 totaled ¥46,427 million, ¥63,428 million and ¥93,036 million ($929 million), respectively.

8. Other receivables:

Other receivables relate to arrangements with certain component manufacturers whereby Toyota procures inventory for these component manufactures 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,
	2007	**2008**	**2008**
Finished goods	¥1,204,521	**¥1,211,569**	**$12,093**
Raw materials	291,006	**299,606**	**2,990**
Work in process	236,749	**239,937**	**2,395**
Supplies and other	71,680	**74,604**	**744**
	¥1,803,956	**¥1,825,716**	**$18,222**

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,
	2007	**2008**	**2008**
Vehicles	¥2,783,706	**¥2,814,706**	**$28,094**
Equipment	106,663	**107,619**	**1,074**
	2,890,369	**2,922,325**	**29,168**
Less—Accumulated depreciation	(640,997)	**(718,207)**	**(7,169)**
Vehicles and equipment on operating leases, net	¥2,249,372	**¥2,204,118**	**$21,999**

Rental income from vehicles and equipment on operating leases was ¥395,870 million, ¥508,095 million and ¥588,262 million ($5,871 million) for the years ended March 31, 2006, 2007 and 2008, 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
2009	¥ 490,471	$ 4,895
2010	338,887	3,382
2011	175,286	1,750
2012	53,750	537
2013	12,935	129
Thereafter	8,095	81
Total minimum future rentals	¥1,079,424	$10,774

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, 2006, 2007 and 2008 is as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2006	2007	**2008**	**2008**
Allowance for doubtful accounts at beginning of year	¥55,751	¥62,088	**¥58,066**	**$580**
Provision for doubtful accounts, net of reversal	10,361	(841)	**357**	**3**
Write-offs	(1,819)	(3,154)	**(3,348)**	**(33)**
Other	(2,205)	(27)	**(3,012)**	**(30)**
Allowance for doubtful accounts at end of year	¥62,088	¥58,066	**¥52,063**	**$520**

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, 2006, 2007 and 2008.

A portion of the allowance for doubtful accounts balance at March 31, 2007 and 2008 totaling ¥33,284 million and ¥34,592 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, 2006, 2007 and 2008 is as follows:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2006	2007	**2008**	**2008**
Allowance for credit losses at beginning of year	¥ 91,829	¥101,383	**¥112,116**	**$1,119**
Provision for credit losses	52,285	72,703	**122,433**	**1,222**
Charge-offs, net of recoveries	(50,324)	(63,879)	**(88,902)**	**(887)**
Other	7,593	1,909	**(27,941)**	**(279)**
Allowance for credit losses at end of year	¥101,383	¥112,116	**¥117,706**	**$1,175**

The other amount primarily includes the impact of currency translation adjustments for the years ended March 31, 2006, 2007 and 2008.

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,
	2007	**2008**	**2008**
Current assets	¥ 7,355,056	**¥ 8,067,295**	**$ 80,520**
Noncurrent assets	11,352,883	**10,689,963**	**106,697**
Total assets	¥18,707,939	**¥18,757,258**	**$187,217**
Current liabilities	¥ 5,753,115	**¥ 6,012,270**	**$ 60,009**
Long-term liabilities	5,945,795	**5,619,997**	**56,093**
Shareholders' equity	7,009,029	**7,124,991**	**71,115**
Total liabilities and shareholders' equity	¥18,707,939	**¥18,757,258**	**$187,217**
Toyota's share of shareholders' equity	¥ 2,027,281	**¥ 2,065,778**	**$ 20,619**
Number of affiliated companies accounted for by the equity method at end of period	56	**55**	

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2006	2007	**2008**	**2008**
Net revenues	¥18,332,304	¥23,368,250	**¥26,511,831**	**$264,616**
Gross profit	¥ 2,197,699	¥ 2,642,377	**¥ 3,081,366**	**$ 30,755**
Net income	¥ 559,686	¥ 701,816	**¥ 870,528**	**$ 8,689**

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

Certain affiliated companies accounted for by the equity method with carrying amounts of ¥1,683,093 million and ¥1,677,617 million ($16,744 million) at March 31, 2007 and 2008, respectively, were quoted on various established markets at an aggregate value of ¥2,800,848 million and ¥2,229,321 million ($22,251 million), respectively.

Account balances and transactions with affiliated companies are presented below:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Trade accounts and notes receivable, and other receivables	¥256,761	**¥247,311**	**$2,468**
Accounts payable and other payables	605,598	**622,830**	**6,216**

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2006	2007	**2008**	**2008**
Net revenues	¥1,394,071	¥1,475,220	**¥1,693,969**	**$16,908**
Purchases	3,356,626	4,028,260	**4,525,049**	**45,165**

Dividends from affiliated companies accounted for by the equity method for the years ended March 31, 2006, 2007 and 2008 were ¥30,011 million, ¥45,234 million and ¥76,351 million ($762 million), respectively.

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, 2007 and 2008 consist of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Loans, principally from banks, with a weighted-average interest at March 31, 2007 and March 31, 2008 of 3.17% and of 3.36% per annum, respectively	¥1,055,918	**¥1,226,717**	**$12,244**
Commercial paper with a weighted-average interest at March 31, 2007 and March 31, 2008 of 4.95% and of 3.76% per annum, respectively	2,441,473	**2,326,004**	**23,216**
	¥3,497,391	**¥3,552,721**	**$35,460**

As of March 31, 2008, Toyota has unused short-term lines of credit amounting to ¥2,629,245 million ($26,243 million) of which ¥768,877 million ($7,674 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, 2007 and 2008 comprises the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Unsecured loans, representing obligations principally to banks, due 2007 to 2027 in 2007 and due 2008 to 2028 in 2008 with interest ranging from 0.20% to 18.00% per annum in 2007 and from 0.17% to 28.00% per annum in 2008	¥ 1,009,634	**¥ 1,016,101**	**$ 10,142**
Secured loans, representing obligations principally to banks, due 2007 to 2019 in 2007 and due 2008 to 2019 in 2008 with interest ranging from 0.35% to 5.60% per annum in 2007 and from 0.35% to 5.60% per annum in 2008	14,307	**15,635**	**156**
Medium-term notes of consolidated subsidiaries, due 2007 to 2047 in 2007 and due 2008 to 2047 in 2008 with interest ranging from 0.01% to 15.25% per annum in 2007 and from 0.32% to 15.25% per annum in 2008	5,269,107	**5,451,779**	**54,414**
Unsecured notes of parent company, due 2008 to 2018 in 2007 and due 2008 to 2018 in 2008 with interest ranging from 1.33% to 3.00% per annum in 2007 and from 1.33% to 3.00% per annum in 2008	500,000	**350,000**	**3,493**
Unsecured notes of consolidated subsidiaries, due 2007 to 2031 in 2007 and due 2008 to 2031 in 2008 with interest ranging from 0.34% to 9.07% per annum in 2007 and from 0.34% to 14.00% per annum in 2008	1,787,767	**1,780,284**	**17,769**
Long-term capital lease obligations, due 2007 to 2017 in 2007 and due 2008 to 2017 in 2008, with interest ranging from 0.31% to 9.33% per annum in 2007 and from 0.31% to 10.00% per annum in 2008	50,886	**43,563**	**435**
	8,631,701	**8,657,362**	**86,409**
Less—Current portion due within one year	(2,368,116)	**(2,675,431)**	**(26,703)**
	¥ 6,263,585	**¥ 5,981,931**	**$ 59,706**

As of March 31, 2008, approximately 34%, 24%, 10% and 32% of long-term debt are denominated in U.S. dollars, Japanese yen, euros, and other currencies, respectively.

As of March 31, 2008, property, plant and equipment with a book value of ¥90,436 million ($903 million) and in addition, other assets aggregating ¥31,669 million ($316 million) were pledged as collateral mainly for certain debt obligations of subsidiaries.

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
2009	¥2,675,431	$26,704
2010	2,305,498	23,011
2011	1,144,468	11,423
2012	764,227	7,628
2013	615,128	6,140

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, 2008, Toyota has not received any significant such requests from these banks.

As of March 31, 2008, Toyota has unused long-term lines of credit amounting to ¥4,890,199 million ($48,809 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, 2006, 2007 and 2008, 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,
	2006	2007	**2008**	**2008**
Liabilities for product warranties at beginning of year	¥ 330,552	¥ 377,879	**¥ 412,452**	**$ 4,116**
Payments made during year	(252,453)	(279,597)	**(324,110)**	**(3,235)**
Provision for warranties	298,719	336,543	**392,349**	**3,916**
Changes relating to pre-existing warranties	(9,457)	(29,458)	**(14,155)**	**(141)**
Other	10,518	7,085	**(20,152)**	**(201)**
Liabilities for product warranties at end of year	¥ 377,879	¥ 412,452	**¥ 446,384**	**$ 4,455**

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,
	2006	2007	**2008**	**2008**
Income before income taxes:				
Parent company and domestic subsidiaries	¥1,159,116	¥1,412,674	**¥1,522,619**	**$15,197**
Foreign subsidiaries	928,244	969,842	**914,603**	**9,129**
	¥2,087,360	¥2,382,516	**¥2,437,222**	**$24,326**

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,
	2006	2007	**2008**	**2008**
Current income tax expense:				
Parent company and domestic subsidiaries	¥451,593	¥591,840	**¥491,185**	**$4,903**
Foreign subsidiaries	310,298	174,164	**338,852**	**3,382**
Total current	761,891	766,004	**830,037**	**8,285**
Deferred income tax expense (benefit):				
Parent company and domestic subsidiaries	76,503	51,740	**119,333**	**1,191**
Foreign subsidiaries	(43,241)	80,568	**(37,875)**	**(378)**
Total deferred	33,262	132,308	**81,458**	**813**
Total provision	¥795,153	¥898,312	**¥911,495**	**$9,098**

Toyota is subject to a number of different income taxes which, in the aggregate, indicate a statutory rate in Japan of approximately 40.2% for the years ended March 31, 2006, 2007, and 2008. Such rate was also used to calculate the tax effects of temporary differences, which are expected to be realized in the future years. Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	For the years ended March 31,		
	2006	2007	**2008**
Statutory tax rate	40.2%	40.2%	**40.2%**
Increase (reduction) in taxes resulting from:			
Non-deductible expenses	0.4	0.5	**0.6**
Increase in deferred tax liabilities on undistributed earnings of foreign subsidiaries and affiliates accounted for by the equity method	2.8	3.1	**4.0**
Valuation allowance	(0.4)	0.1	**(0.5)**
Tax credits	(4.1)	(3.9)	**(4.4)**
Other	(0.8)	(2.3)	**(2.5)**
Effective income tax rate	38.1%	37.7%	**37.4%**

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

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Deferred tax assets			
Accrued pension and severance costs	¥ 104,470	**¥ 156,924**	**$ 1,566**
Warranty reserves and accrued expenses	218,125	**205,564**	**2,052**
Other accrued employees' compensation	120,004	**129,472**	**1,292**
Operating loss carryforwards for tax purposes	35,629	**54,368**	**543**
Inventory adjustments	57,698	**67,904**	**678**
Property, plant and equipment and other assets	168,535	**180,922**	**1,806**
Other	349,933	**332,779**	**3,321**
Gross deferred tax assets	1,054,394	**1,127,933**	**11,258**
Less—Valuation allowance	(95,225)	**(82,191)**	**(820)**
Total deferred tax assets	959,169	**1,045,742**	**10,438**
Deferred tax liabilities			
Unrealized gains on securities	(465,280)	**(279,795)**	**(2,793)**
Undistributed earnings of foreign subsidiaries and affiliates accounted for by the equity method	(559,591)	**(607,510)**	**(6,064)**
Basis difference of acquired assets	(37,778)	**(37,919)**	**(378)**
Lease transactions	(419,259)	**(405,028)**	**(4,042)**
Gain on securities contribution to employee retirement benefit trust	(66,523)	**(66,523)**	**(664)**
Other	(80,380)	**(80,230)**	**(801)**
Gross deferred tax liabilities	(1,628,811)	**(1,477,005)**	**(14,742)**
Net deferred tax liability	¥ (669,642)	**¥ (431,263)**	**$ (4,304)**

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, 2006, 2007 and 2008 consist of the following:

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2006	2007	**2008**	**2008**
Valuation allowance at beginning of year	¥102,737	¥ 93,629	**¥ 95,225**	**$ 950**
Additions	10,285	20,785	**4,837**	**48**
Deductions	(19,084)	(19,015)	**(17,871)**	**(178)**
Other	(309)	(174)	**—**	**—**
Valuation allowance at end of year	¥ 93,629	¥ 95,225	**¥ 82,191**	**$ 820**

The other amount includes the impact of consolidation and deconsolidation of certain entities due to changes in ownership interest during the years ended March 31, 2006 and 2007.

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,
	2007	**2008**	**2008**
Deferred tax assets			
Deferred income taxes (Current assets)	¥ 551,503	**¥ 563,220**	**$ 5,621**
Investments and other assets—other	98,043	**111,477**	**1,113**
Deferred tax liabilities			
Other current liabilities	(6,788)	**(6,954)**	**(69)**
Deferred income taxes (Long-term liabilities)	(1,312,400)	**(1,099,006)**	**(10,969)**
Net deferred tax liability	¥ (669,642)	**¥ (431,263)**	**$ (4,304)**

Because management intends to reinvest undistributed earnings of foreign subsidiaries to the extent not expected to be remitted in the foreseeable future, management has made no provision for income taxes on those undistributed earnings aggregating ¥2,751,054 million ($27,458 million) as of March 31, 2008. Toyota estimates an additional tax provision of ¥227,517 million ($2,271 million) would be required if the full amount of those undistributed earnings became subject to Japanese taxes.

Operating loss carryforwards for tax purposes attributed to consolidated subsidiaries as of March 31, 2008 were approximately ¥155,320 million ($1,550 million) and are available as an offset against future taxable income of such subsidiaries. The majority of these carryforwards expire in years 2009 to 2028.

Toyota adopted FIN 48 on April 1, 2007. The adoption of FIN 48 did not result in a cumulative-effect adjustment to retained earnings balance as of April 1, 2007.

A summary of the gross unrecognized tax benefits changes for the year ended March 31, 2008, is as follows:

	Yen in millions	U.S. dollars in millions
	For the year ended March 31,	For the year ended March 31,
	2008	**2008**
Balance at beginning of year	**¥29,639**	**$296**
Reductions based on tax positions related to the current year	**(424)**	**(4)**
Additions for tax positions of prior years	**25,954**	**259**
Reductions for tax positions of prior years	**(8,771)**	**(88)**
Reductions for tax positions related to lapse of statute of limitations	**(30)**	**(0)**
Reductions for settlement	**(4,618)**	**(46)**
Other	**(4,028)**	**(40)**
Balance at end of year	**¥37,722**	**$377**

The amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was not material at March 31, 2008. Toyota does not believe it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

Interest and penalties related to income tax liabilities are included in "Other income, net". The amounts of interest and penalties accrued as of and recognized for the year ended March 31, 2008 were not material.

Toyota remains subject to income tax examination for the tax returns related to the years beginning on and after January 1, 2000, with various tax jurisdictions including Japan.

17. Shareholders' equity:

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

	For the years ended March 31,		
	2006	2007	**2008**
Common stock issued			
Balance at beginning of year	3,609,997,492	3,609,997,492	**3,609,997,492**
Issuance during the year	—	—	**—**
Purchase and retirement	—	—	**(162,000,000)**
Balance at end of year	3,609,997,492	3,609,997,492	**3,447,997,492**

The Corporation Act provides that an amount equal to 10% of distributions from surplus paid by the parent company and its Japanese subsidiaries be appropriated as a capital reserve or a retained earnings reserve. No further appropriations are required when the total amount of the capital reserve and the retained earnings reserve reaches 25% of stated capital.

The retained earnings reserve included in retained earnings as of March 31, 2007 and 2008 was ¥151,102 million and ¥160,229 million ($1,599 million), respectively. The Corporation Act provides that the retained earnings reserve of the parent company and its Japanese subsidiaries 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 ¥5,680,249 million and ¥6,073,271 million ($60,618 million) as of March 31, 2007 and 2008, respectively. In accordance with customary practice in Japan, the distributions from surplus 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, 2008 include amounts representing year-end cash dividends of ¥236,196 million ($2,357 million), ¥75 ($0.75) per share, which were approved at the Ordinary General Shareholders' Meeting, held on June 24, 2008.

Retained earnings at March 31, 2008 include ¥1,427,712 million ($14,250 million) relating to equity in undistributed earnings of companies accounted for by the equity method.

On June 23, 2004, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company approved to purchase up to 65 million shares of its common stock at a cost up to ¥250,000 million during the period until the next Ordinary General Shareholders' Meeting which was held on June 23, 2005, and in accordance with former Japanese Commercial Code, 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 approximately 59 million of shares.

On June 23, 2005, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company approved to purchase up to 65 million shares of its common stock at a cost up to ¥250,000 million during the period until the next Ordinary General Shareholders' Meeting which was held on June 23, 2006. As a result, the parent company repurchased approximately 38 million shares during the approved period of time.

On June 23, 2006, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company approved to purchase up to 30 million shares of its common stock at a cost up to ¥200,000 million during the purchase period of one year from the following day. As a result, the parent company repurchased approximately 28 million shares during the approved period of time.

On June 22, 2007, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company approved to purchase up to 30 million shares of its common stock at a cost up to ¥250,000 million during the purchase period of one year from the following day. As a result, the parent company repurchased 30 million shares during the approved period of time.

On February 5, 2008, the Board of Directors resolved to purchase up to 12 million shares of its common stock at a cost up to ¥60,000 million in accordance with the Corporation Act. As a result, the parent company repurchased approximately 10 million shares.

On the same date, the Board of Directors also resolved to retire 162 million shares of its common stock, and then the parent company retired its common stock on March 31, 2008. This retirement, in accordance with the Corporation Act and related regulations, is treated as a reduction from additional paid-in capital and retained earnings. As a result, treasury stock, additional paid-in capital and retained earnings decreased by ¥646,681 million ($6,455 million), ¥3,499 million ($35 million) and ¥643,182 million ($6,420 million), respectively.

On June 24, 2008, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company approved to purchase up to 30 million shares of its common stock at a cost up to ¥200,000 million during the purchase period of one year from the following day. These approvals by the shareholders are not required under the current regulation.

Detailed components of accumulated other comprehensive income (loss) at March 31, 2007 and 2008 and the related changes, net of taxes for the years ended March 31, 2006, 2007 and 2008 consist of the following:

	Yen in millions				
	Foreign currency translation adjustments	Unrealized gains on securities	Minimum pension liability adjustments	Pension liability adjustments	Accumulated other comprehensive income (loss)
Balances at March 31, 2005	¥(439,333)	¥375,379	¥(16,706)	¥ —	¥ (80,660)
Other comprehensive income	268,410	244,629	4,937	—	517,976
Balances at March 31, 2006	(170,923)	620,008	(11,769)	—	437,316
Other comprehensive income	130,746	38,800	3,499	—	173,045
Adjustment to initially apply FAS 158	—	—	8,270	82,759	91,029
Balances at March 31, 2007	(40,177)	658,808	—	82,759	701,390
Other comprehensive income (loss)	(461,189)	(347,829)	—	(133,577)	(942,595)
Balances at March 31, 2008	**¥(501,366)**	**¥310,979**	**¥ —**	**¥ (50,818)**	**¥(241,205)**

	U.S. dollars in millions				
	Foreign currency translation adjustments	Unrealized gains on securities	Minimum pension liability adjustments	Pension liability adjustments	Accumulated other comprehensive income (loss)
Balances at March 31, 2007	$ (401)	$ 6,576	$—	$ 826	$ 7,001
Other comprehensive income (loss)	(4,603)	(3,472)	—	(1,333)	(9,408)
Balances at March 31, 2008	**$(5,004)**	**$ 3,104**	**$—**	**$ (507)**	**$(2,407)**

Tax effects allocated to each component of other comprehensive income for the years ended March 31, 2006, 2007 and 2008 are as follows:

	Yen in millions		
	Pre-tax amount	Tax amount	Net-of-tax amount
For the year ended March 31, 2006			
Foreign currency translation adjustments	¥ 272,214	¥ (3,804)	¥ 268,410
Unrealized gains on securities:			
Unrealized net holding gains arising for the year	555,789	(223,427)	332,362
Less: reclassification adjustments for gains included in net income	(146,710)	58,977	(87,733)
Minimum pension liability adjustments	8,260	(3,323)	4,937
Other comprehensive income	¥ 689,553	¥(171,577)	¥ 517,976
For the year ended March 31, 2007			
Foreign currency translation adjustments	¥ 133,835	¥ (3,089)	¥ 130,746
Unrealized gains on securities:			
Unrealized net holding gains arising for the year	78,055	(31,378)	46,677
Less: reclassification adjustments for gains included in net income	(13,172)	5,295	(7,877)
Minimum pension liability adjustments	5,854	(2,355)	3,499
Other comprehensive income	¥ 204,572	¥ (31,527)	¥ 173,045
For the year ended March 31, 2008			
Foreign currency translation adjustments	**¥ (460,723)**	**¥ (466)**	**¥(461,189)**
Unrealized losses on securities:			
Unrealized net holding losses arising for the year	**(545,555)**	**219,313**	**(326,242)**
Less: reclassification adjustments for gains included in net income	**(36,099)**	**14,512**	**(21,587)**
Pension liability adjustments	**(221,142)**	**87,565**	**(133,577)**
Other comprehensive income (loss)	**¥(1,263,519)**	**¥ 320,924**	**¥(942,595)**

	U.S. dollars in millions		
	Pre-tax amount	Tax amount	Net-of-tax amount
For the year ended March 31, 2008			
Foreign currency translation adjustments	**$ (4,598)**	**$ (5)**	**$(4,603)**
Unrealized losses on securities:			
Unrealized net holding losses arising for the year	**(5,445)**	**2,189**	**(3,256)**
Less: reclassification adjustments for gains included in net income	**(361)**	**145**	**(216)**
Pension liability adjustments	**(2,207)**	**874**	**(1,333)**
Other comprehensive income (loss)	**$(12,611)**	**$3,203**	**$(9,408)**

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 granted in and after August 2002 have terms ranging from 6 years to 8 years and an exercise price equal to 1.025 times the closing price of Toyota's common stock on the date of grant. These options generally vest 2 years from the date of grant.

On June 24, 2008, at the Ordinary General Shareholders' Meeting, the shareholders of the parent company approved the authorization of an additional up to 3,700,000 shares for issuance under the Toyota's stock option plan for directors, officers and employees of the parent company, its subsidiaries and affiliates.

Toyota adopted FAS 123(R) in fiscal year beginning from April 1, 2006. For the years ended March 31, 2007 and 2008, Toyota recognized stock-based compensation expenses for stock options of ¥1,936 million and ¥3,273 million ($33 million) as selling, general and administrative expenses.

The weighted-average grant-date fair value of options granted during the years ended March 31, 2006, 2007 and 2008 was ¥723, ¥1,235, and ¥1,199 ($12), respectively. Before March 31, 2006, the fair value of options granted was amortized over the option vesting period in determining the pro forma net income described in note 2 to the consolidated financial statements. On and after April 1, 2006, the fair value of options granted is amortized over the option vesting period in determining net income in the consolidated statements of income. The grant-date fair value of options granted is estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2006	2007	**2008**
Dividend rate	2.1%	1.5%	**1.7%**
Risk-free interest rate	0.7%	1.4%	**1.3%**
Expected volatility	27%	27%	**23%**
Expected holding period (years)	4.0	5.0	**5.0**

The following table summarizes Toyota's stock option activity:

		Yen		Yen in millions
	Number of options	Weighted-average exercise price	Weighted-average remaining contractual life in years	Aggregate intrinsic value
Options outstanding at March 31, 2005	5,500,300	¥3,802	3.86	
Granted	2,104,000	4,377		
Exercised	(1,354,000)	3,052		
Canceled	(1,463,400)	4,085		
Options outstanding at March 31, 2006	4,786,900	4,180	4.52	
Granted	3,176,000	6,140		
Exercised	(1,233,100)	4,008		
Canceled	(437,100)	4,590		
Options outstanding at March 31, 2007	6,292,700	5,175	5.53	¥14,947
Granted	3,264,000	7,278		
Exercised	(792,100)	4,208		
Canceled	(423,000)	6,196		
Options outstanding at March 31, 2008	**8,341,600**	**¥6,038**	**5.71**	**¥ 1,753**
Options exercisable at March 31, 2006	946,900	¥3,078	3.09	
Options exercisable at March 31, 2007	1,282,700	¥3,990	2.90	¥ 4,567
Options exercisable at March 31, 2008	2,354,600	¥4,225	2.76	¥ 1,753

The total intrinsic value of options exercised for the years ended March 31, 2006, 2007 and 2008 was ¥3,273 million, ¥3,866 million and ¥1,651 million ($16 million), respectively.

As of March 31, 2008, there were unrecognized compensation expenses of ¥2,677 million ($27 million) for stock options granted. Those expenses are expected to be recognized over a weighted-average period of 1.1 years.

Cash received from the exercise of stock options for the years ended March 31, 2006, 2007 and 2008 was ¥4,133 million, ¥4,942 million and ¥3,333 million ($33 million), respectively.

The following table summarizes information for options outstanding and options exercisable at March 31, 2008:

	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
¥2,958–4,500	1,754,900	¥4,118	$41	2.90	1,754,900	¥4,118	$41
4,501–7,278	6,586,700	6,549	65	6.46	599,700	4,541	45
2,958–7,278	8,341,600	6,038	60	5.71	2,354,600	4,225	42

19. Employee benefit plans:

Pension and severance plans

Upon terminations of employment, 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, based on current rates of pay and lengths of service or the number of "points" mainly determined by those. 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, employees are entitled to lump-sum or pension payments determined based on accumulated "points" vested in each year of service.

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.

Effective October 1, 2005, the parent company partly amended its retirement plan and introduced the quasi cash-balance plan under which benefits are determined based on the variable-interest crediting rate rather than the fixed-interest crediting rate as was in the pre-amended plan.

The parent company and most subsidiaries in Japan have contributory funded defined benefit pension plans, which are pursuant to the Corporate Defined Benefit Pension Plan Law (CDBPPL). 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 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.

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

The impact of adopting FAS 158

Toyota adopted the provisions regarding recognition of funded status and disclosure under FAS 158 as of March 31, 2007. Toyota recognized the overfunded or underfunded status of its defined benefit postretirement plans as prepaid pension and severance costs or accrued pension and severance costs on its consolidated balance sheet, with corresponding adjustments to accumulated other comprehensive income, net of tax. The impacts of adopting the provisions of FAS 158 on Toyota's consolidated balance sheet as of March 31, 2007 are as follows. The adoption of the provisions had no impact on Toyota's consolidated statement of income for the year ended March 31, 2007.

	Yen in millions		
	Amount before adoption of FAS 158	FAS 158 Adjustment	Amount after adoption of FAS 158
Investments and other assets—other (Prepaid pension and severance costs)	¥246,499	¥142,520	¥389,019
Accrued expenses (Accrued pension and severance costs)	—	30,951	30,951
Accrued pension and severance costs	672,154	(31,568)	640,586
Accumulated other comprehensive income (loss) (Pre-tax amount)	(26,337)	133,437	107,100
Accumulated other comprehensive income (loss) (Net-of-tax amount)	(8,270)	91,029	82,759

Information regarding defined benefit plans

Information regarding Toyota's defined benefit plans is as follows:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Change in benefit obligation			
Benefit obligation at beginning of year	¥1,582,958	**¥1,707,969**	**$17,047**
Service cost	80,414	**96,454**	**963**
Interest cost	48,128	**54,417**	**543**
Plan participants' contributions	1,988	**767**	**8**
Plan amendments	(197)	**(7,619)**	**(76)**
Net actuarial gain or loss	65,227	**(22,112)**	**(221)**
Acquisition and other	5,927	**(55,960)**	**(559)**
Benefits paid	(76,476)	**(80,761)**	**(806)**
Benefit obligation at end of year	1,707,969	**1,693,155**	**16,899**
Change in plan assets			
Fair value of plan assets at beginning of year	1,276,204	**1,425,451**	**14,227**
Actual return on plan assets	87,471	**(206,101)**	**(2,057)**
Acquisition and other	2,734	**(26,851)**	**(268)**
Employer contributions	133,530	**169,543**	**1,692**
Plan participants' contributions	1,988	**767**	**8**
Benefits paid	(76,476)	**(80,761)**	**(806)**
Fair value of plan assets at end of year	1,425,451	**1,282,048**	**12,796**
Funded status	¥ 282,518	**¥ 411,107**	**$ 4,103**

Amounts recognized in the consolidated balance sheet as of March 31, 2007 and 2008 are comprised of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Accrued expenses (Accrued pension and severance costs)	¥ 30,951	**¥ 30,345**	**$ 303**
Accrued pension and severance costs	640,586	**632,297**	**6,311**
Investments and other assets—other (Prepaid pension and severance costs)	(389,019)	**(251,535)**	**(2,511)**
Net amount recognized	¥ 282,518	**¥ 411,107**	**$ 4,103**

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2007 and 2008 are comprised of the following:

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Net actuarial loss	¥ (14,041)	**¥(217,138)**	**$(2,167)**
Prior service costs	130,543	**125,553**	**1,253**
Net transition obligation	(9,402)	**(7,458)**	**(75)**
Net amount recognized	¥107,100	**¥ (99,043)**	**$ (989)**

The accumulated benefit obligation for all defined benefit pension plans was ¥1,552,827 million and ¥1,547,218 million ($15,443 million) at March 31, 2007 and 2008, 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,
	2007	**2008**	**2008**
Projected benefit obligation	¥529,354	**¥508,505**	**$5,075**
Accumulated benefit obligation	498,127	**467,421**	**4,665**
Fair value of plan assets	95,274	**91,723**	**915**

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,
	2006	2007	**2008**	**2008**
Service cost	¥ 64,582	¥ 80,414	**¥ 96,454**	**$ 963**
Interest cost	40,196	48,128	**54,417**	**543**
Expected return on plan assets	(24,278)	(38,139)	**(43,450)**	**(434)**
Amortization of prior service costs	(17,037)	(17,301)	**(17,162)**	**(171)**
Recognized net actuarial loss	19,489	8,299	**4,013**	**40**
Amortization of net transition obligation	1,944	1,944	**1,944**	**19**
Net periodic pension cost	¥ 84,896	¥ 83,345	**¥ 96,216**	**$ 960**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2008 are as follows:

	Yen in millions	U.S. dollars in millions
	For the year ended March 31,	For the year ended March 31,
	2008	**2008**
Net actuarial loss	**¥(227,439)**	**$(2,270)**
Recognized net actuarial loss	**4,013**	**40**
Prior service costs	**7,619**	**76**
Amortization of prior service costs	**(17,162)**	**(171)**
Amortization of net transition obligation	**1,944**	**19**
Other	**24,882**	**248**
Total recognized in other comprehensive income (loss)	**¥(206,143)**	**$(2,058)**

The estimated prior service costs, net actuarial loss and net transition obligations that will be amortized from accumulated other comprehensive income (loss) into net periodic pension cost during the year ending March 31, 2009 are ¥(17,100) million ($(171) million), ¥6,500 million ($65 million) and ¥1,900 million ($19 million), respectively.

Prior to the adoption of the provisions regarding recognition of funded status and disclosure under FAS 158 as of March 31, 2007, Toyota had recorded a minimum pension liability for plans where the accumulated benefit obligation net of plan assets exceeded the accrued pension and severance costs. Changes in the minimum pension liability are reflected as adjustments in other comprehensive income for the years ended March 31, 2006 and 2007 as follows:

	Yen in millions	
	For the years ended March 31,	
	2006	2007
Minimum pension liability adjustments, included in other comprehensive income	¥4,937	¥3,499

The minimum pension liability recognized as of March 31, 2007 was eliminated upon the adoption of the provisions regarding recognition of funded status and disclosure under FAS 158, and after the adoption, no minimum pension liability had been recognized.

Weighted-average assumptions used to determine benefit obligations as of March 31, 2007 and 2008 are as follows:

	March 31,	
	2007	**2008**
Discount rate	2.7%	**2.8%**
Rate of compensation increase	0.1–10.0%	**0.1–10.0%**

Weighted-average assumptions used to determine net periodic pension cost for the years ended March 31, 2006, 2007 and 2008 are as follows:

	For the years ended March 31,		
	2006	2007	**2008**
Discount rate	2.6%	2.6%	**2.7%**
Expected return on plan assets	2.9%	3.0%	**3.4%**
Rate of compensation increase	0.1–9.7%	0.1–11.0%	**0.1–10.0%**

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, 2007 and 2008, by asset category are as follows:

	Plan assets at March 31,	
	2007	**2008**
Equity securities	67.2%	**60.5%**
Debt securities	20.8	**25.2**
Real estate	0.7	**1.3**
Other	11.3	**13.0**
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 ¥153,030 million ($1,527 million) to its pension plan in the year ending March 31, 2009.

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
2009	¥ 86,774	$ 866
2010	84,573	844
2011	81,674	815
2012	78,204	781
2013	77,373	772
from 2014 to 2018	430,548	4,298
Total	¥839,146	$8,376

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, 2006, 2007 and 2008, 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.

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.

Unrealized gains or (losses) on undesignated derivative financial instruments reported in the cost of financing operations for the years ended March 31, 2006, 2007 and 2008 were ¥(8,418) million, ¥(19,984) million and ¥(67,991) million ($(679) million) those reported in foreign exchange gain, net were ¥4,270 million, ¥17,866 million and ¥45,670 million ($456 million), respectively.

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 nonperformance 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, 2007	
	Carrying amount	Estimated fair value
Asset (Liability)		
Cash and cash equivalents	¥ 1,900,379	¥ 1,900,379
Time deposits	26,709	26,709
Total finance receivables, net	8,938,284	8,998,023
Other receivables	486,170	486,170
Short-term borrowings	(3,497,391)	(3,497,391)
Long-term debt including the current portion	(8,580,815)	(8,595,301)
Foreign exchange forward contracts	(4,327)	(4,327)
Interest rate and currency swap agreements	115,640	115,640
Option contracts purchased	3,249	3,249
Option contracts written	(2,341)	(2,341)

	Yen in millions		U.S. dollars in millions	
	March 31, 2008		March 31, 2008	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Asset (Liability)				
Cash and cash equivalents	**¥1,628,547**	**¥1,628,547**	**$16,255**	**$16,255**
Time deposits	**134,773**	**134,773**	**1,345**	**1,345**
Total finance receivables, net	**9,132,242**	**9,287,490**	**91,149**	**92,699**
Other receivables	**523,533**	**523,533**	**5,225**	**5,225**
Short-term borrowings	**(3,552,721)**	**(3,552,721)**	**(35,460)**	**(35,460)**
Long-term debt including the current portion	**(8,613,799)**	**(8,646,182)**	**(85,974)**	**(86,298)**
Foreign exchange forward contracts	**26,352**	**26,352**	**263**	**263**
Interest rate and currency swap agreements	**223,163**	**223,163**	**2,227**	**2,227**
Option contracts purchased	**18,525**	**18,525**	**185**	**185**
Option contracts written	**(4,242)**	**(4,242)**	**(42)**	**(42)**

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, 2007 and 2008. 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, 2007 and 2008.

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,
	2007	**2008**	**2008**
Class of property			
Building	¥ 13,560	**¥ 11,279**	**$ 113**
Machinery and equipment	147,926	**136,817**	**1,365**
Less—Accumulated depreciation	(126,178)	**(116,019)**	**(1,158)**
	¥ 35,308	**¥ 32,077**	**$ 320**

Amortization expenses under capital leases for the years ended March 31, 2006, 2007 and 2008 were ¥11,348 million, ¥10,559 million and ¥7,846 million ($78 million), respectively.

Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of March 31, 2008 are as follows:

Years ending March 31,	Yen in millions	U.S. dollars in millions
2009	¥ 8,012	$ 80
2010	9,171	91
2011	25,408	254
2012	1,907	19
2013	1,166	12
Thereafter	1,307	13
Total minimum lease payments	46,971	469
Less—Amount representing interest	(3,408)	(34)
Present value of net minimum lease payments	43,563	435
Less—Current obligations	(7,409)	(74)
Long-term capital lease obligations	¥36,154	$361

Rental expenses under operating leases for the years ended March 31, 2006, 2007 and 2008 were ¥93,867 million, ¥107,301 million and ¥100,319 million ($1,001 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, 2008 are as follows:

Years ending March 31,	Yen in millions	U.S. dollars in millions
2009	¥11,335	$113
2010	9,149	91
2011	7,144	71
2012	5,781	58
2013	4,658	46
Thereafter	16,384	164
Total minimum future rentals	¥54,451	$543

23. Other commitments and contingencies, concentrations and factors that may affect future operations:

Commitments outstanding at March 31, 2008 for the purchase of property, plant and equipment and other assets totaled ¥173,720 million ($1,734 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, 2008, range from 1 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, 2008 is ¥1,460,362 million ($14,576 million). Liabilities for guarantees totaling ¥3,905 million ($39 million) have been provided as of March 31, 2008. Under these guarantee contracts, Toyota is entitled to recover any amount paid by Toyota from the customers whose original 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 has responded to the plaintiff's discovery requests. Toyota believes that its actions have been lawful. In the interest of quickly resolving these legal actions, however, Toyota entered into a settlement agreement with the plaintiffs at the end of February 2006. The settlement agreement is pending the approval of the federal district court, and immediately upon approval the plaintiffs will, in accordance with the terms of the settlement agreement, withdraw all pending actions against Toyota in the federal district court as well as all state courts and all related actions will be closed.

Toyota has various other 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 October 2000, the European Union brought into effect a directive that requires member states to promulgate regulations implementing the following: (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, this requirement became applicable to 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 after December 15, 2008, 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. A law to implement the directive came into effect in all member states including Bulgaria, Romania that joined the European Union in January 2007. Currently, there are uncertainties surrounding the implementation of the applicable regulations in different European Union member states, particularly regarding manufacturer responsibilities and resultant expenses that may be incurred.

In addition, under this directive member states must take measures to ensure that car manufacturers, distributors and other auto-related economic operators establish adequate used vehicle collection and treatment facilities and to ensure that hazardous materials and recyclable parts are removed from vehicles prior to shredding. 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, 2008. Depending on the legislation that will be enacted subject to other circumstances, Toyota may be required to revise the accruals for the expected costs. 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 purchases materials that are equivalent to approximately 10% of material costs from a supplier which is an affiliated company.

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, 2008.

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, and vehicle and equipment leasing operations to assist in the merchandising of the parent company and its affiliate companies 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 and overseas revenues by destination as of and for the years ended March 31, 2006, 2007 and 2008.

Segment operating results and assets

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

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues					
Sales to external customers	¥19,325,616	¥ 977,416	¥ 733,877	¥ —	¥21,036,909
Inter-segment sales and transfers	12,528	19,493	456,414	(488,435)	—
Total	19,338,144	996,909	1,190,291	(488,435)	21,036,909
Operating expenses	17,644,099	841,092	1,150,543	(477,167)	19,158,567
Operating income	¥ 1,694,045	¥ 155,817	¥ 39,748	¥ (11,268)	¥ 1,878,342
Assets	¥12,354,827	¥11,613,508	¥1,191,261	¥3,571,999	¥28,731,595
Investment in equity method investees	1,459,556	287,326	—	73,835	1,820,717
Depreciation expenses	880,360	301,734	29,084	—	1,211,178
Capital Expenditure	1,615,814	968,835	45,282	(47)	2,629,884

As of and for the year ended March 31, 2007:

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues					
Sales to external customers	¥21,914,168	¥ 1,277,994	¥ 755,929	¥ —	¥23,948,091
Inter-segment sales and transfers	13,838	22,554	567,802	(604,194)	—
Total	21,928,006	1,300,548	1,323,731	(604,194)	23,948,091
Operating expenses	19,889,178	1,142,053	1,284,052	(605,875)	21,709,408
Operating income	¥ 2,038,828	¥ 158,495	¥ 39,679	¥ 1,681	¥ 2,238,683
Assets	¥13,297,362	¥13,735,434	¥1,459,965	¥4,082,018	¥32,574,779
Investment in equity method investees	1,664,938	303,271	—	59,072	2,027,281
Depreciation expenses	950,762	402,876	28,956	—	1,382,594
Capital Expenditure	1,570,875	1,122,564	47,948	(51,192)	2,690,195

As of and for the year ended March 31, 2008:

	Yen in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues					
Sales to external customers	**¥24,160,254**	**¥ 1,468,730**	**¥ 660,256**	**¥ —**	**¥26,289,240**
Inter-segment sales and transfers	**17,052**	**29,624**	**686,699**	**(733,375)**	**—**
Total	**24,177,306**	**1,498,354**	**1,346,955**	**(733,375)**	**26,289,240**
Operating expenses	**22,005,401**	**1,411,860**	**1,313,875**	**(712,271)**	**24,018,865**
Operating income	**¥ 2,171,905**	**¥ 86,494**	**¥ 33,080**	**¥ (21,104)**	**¥ 2,270,375**
Assets	**¥13,593,025**	**¥13,942,372**	**¥1,273,560**	**¥3,649,363**	**¥32,458,320**
Investment in equity method investees	**1,777,956**	**235,166**	**—**	**52,656**	**2,065,778**
Depreciation expenses	**1,050,541**	**409,725**	**30,869**	**—**	**1,491,135**
Capital expenditure	**1,546,524**	**1,149,842**	**56,439**	**7,170**	**2,759,975**

	U.S. dollars in millions				
	Automotive	Financial Services	All Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues					
Sales to external customers	**$241,144**	**$ 14,660**	**$ 6,590**	**$ —**	**$262,394**
Inter-segment sales and transfers	**171**	**295**	**6,854**	**(7,320)**	**—**
Total	**241,315**	**14,955**	**13,444**	**(7,320)**	**262,394**
Operating expenses	**219,637**	**14,092**	**13,114**	**(7,110)**	**239,733**
Operating income	**$ 21,678**	**$ 863**	**$ 330**	**$ (210)**	**$ 22,661**
Assets	**$135,673**	**$139,159**	**$12,712**	**$36,424**	**$323,968**
Investment in equity method investees	**17,746**	**2,347**	**—**	**526**	**20,619**
Depreciation expenses	**10,485**	**4,090**	**308**	**—**	**14,883**
Capital expenditure	**15,436**	**11,476**	**564**	**72**	**27,548**

Geographic Information

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

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues							
Sales to external customers	¥ 7,735,109	¥7,455,818	¥2,574,014	¥1,836,855	¥1,435,113	¥ —	¥21,036,909
Inter-segment sales and transfers	5,376,348	232,124	153,395	205,951	166,623	(6,134,441)	—
Total	13,111,457	7,687,942	2,727,409	2,042,806	1,601,736	(6,134,441)	21,036,909
Operating expenses	12,035,567	7,192,304	2,633,462	1,897,260	1,534,546	(6,134,572)	19,158,567
Operating income	¥ 1,075,890	¥ 495,638	¥ 93,947	¥ 145,546	¥ 67,190	¥ 131	¥ 1,878,342
Assets	¥12,177,125	¥9,199,818	¥2,471,258	¥1,255,350	¥1,299,072	¥ 2,328,972	¥28,731,595
Long-lived assets	3,347,195	2,403,211	473,274	347,892	253,429	—	6,825,001

As of and for the year ended March 31, 2007:

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues							
Sales to external customers	¥ 8,152,884	¥ 8,771,495	¥3,346,013	¥1,969,957	¥1,707,742	¥ —	¥23,948,091
Inter-segment sales and transfers	6,662,398	258,278	196,180	255,571	215,000	(7,587,427)	—
Total	14,815,282	9,029,773	3,542,193	2,225,528	1,922,742	(7,587,427)	23,948,091
Operating expenses	13,358,036	8,580,140	3,404,810	2,107,933	1,839,245	(7,580,756)	21,709,408
Operating income	¥ 1,457,246	¥ 449,633	¥ 137,383	¥ 117,595	¥ 83,497	¥ (6,671)	¥ 2,238,683
Assets	¥12,992,379	¥10,890,157	¥2,917,183	¥1,563,742	¥1,575,255	¥ 2,636,063	¥32,574,779
Long-lived assets	3,490,846	2,931,037	566,353	466,338	309,465	—	7,764,039

As of and for the year ended March 31, 2008:

	Yen in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues							
Sales to external customers	**¥ 8,418,620**	**¥ 9,248,950**	**¥3,802,814**	**¥2,790,987**	**¥2,027,869**	**¥ —**	**¥26,289,240**
Inter-segment sales and transfers	**6,897,192**	**174,308**	**190,620**	**329,839**	**266,268**	**(7,858,227)**	**—**
Total	**15,315,812**	**9,423,258**	**3,993,434**	**3,120,826**	**2,294,137**	**(7,858,227)**	**26,289,240**
Operating expenses	**13,875,526**	**9,117,906**	**3,851,863**	**2,864,470**	**2,150,159**	**(7,841,059)**	**24,018,865**
Operating income	**¥ 1,440,286**	**¥ 305,352**	**¥ 141,571**	**¥ 256,356**	**¥ 143,978**	**¥ (17,168)**	**¥ 2,270,375**
Assets	**¥12,883,255**	**¥10,779,947**	**¥3,125,572**	**¥1,792,681**	**¥1,703,533**	**¥ 2,173,332**	**¥32,458,320**
Long-lived assets	**3,696,081**	**2,808,782**	**574,854**	**446,513**	**285,772**	**—**	**7,812,002**

	U.S. dollars in millions						
	Japan	North America	Europe	Asia	Other	Inter-segment Elimination/ Unallocated Amount	Consolidated
Net revenues							
Sales to external customers	**$ 84,027**	**$ 92,314**	**$37,956**	**$27,857**	**$20,240**	**$ —**	**$262,394**
Inter-segment sales and transfers	**68,841**	**1,740**	**1,903**	**3,292**	**2,658**	**(78,434)**	**—**
Total	**152,868**	**94,054**	**39,859**	**31,149**	**22,898**	**(78,434)**	**262,394**
Operating expenses	**138,492**	**91,006**	**38,446**	**28,590**	**21,461**	**(78,262)**	**239,733**
Operating income	**$ 14,376**	**$ 3,048**	**$ 1,413**	**$ 2,559**	**$ 1,437**	**$ (172)**	**$ 22,661**
Assets	**$128,588**	**$107,595**	**$31,196**	**$17,893**	**$17,003**	**$ 21,693**	**$323,968**
Long-lived assets	**36,891**	**28,034**	**5,738**	**4,457**	**2,852**	**—**	**77,972**

* "Other" consists of Central and South America, Oceania and Africa.

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, assets and long-lived assets included in other foreign countries.

Unallocated amounts included in assets represent assets held for corporate purposes, which mainly consist of cash and cash equivalents and marketable securities. Such corporate assets were ¥4,231,148 million, ¥4,758,410 million and ¥4,352,498 million ($43,442 million), as of March 31, 2006, 2007 and 2008, respectively.

Transfers between industries 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,
	2006	2007	**2008**	**2008**
North America	¥7,687,738	¥9,039,560	**¥9,606,481**	**$95,883**
Europe	2,607,819	3,345,001	**3,746,362**	**37,393**
Asia	2,005,777	2,248,031	**2,968,460**	**29,628**
Other	2,721,981	3,168,580	**3,831,739**	**38,245**

* "Other" consists of Central and South America, Oceania, Africa and the Middle East, etc.

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,
	2007	**2008**	**2008**
Non-Financial Services Businesses			
Current assets			
Cash and cash equivalents	¥ 1,714,722	**¥ 1,473,101**	**$ 14,703**
Marketable securities	433,434	**526,801**	**5,258**
Trade accounts and notes receivable, less allowance for doubtful accounts	2,044,729	**2,077,491**	**20,736**
Inventories	1,803,956	**1,825,716**	**18,222**
Prepaid expenses and other current assets	1,617,554	**1,676,263**	**16,731**
Total current assets	7,614,395	**7,579,372**	**75,650**
Investments and other assets	6,464,204	**6,064,286**	**60,528**
Property, plant and equipment	5,689,383	**5,773,370**	**57,624**
Total Non-Financial Services Businesses assets	19,767,982	**19,417,028**	**193,802**
Financial Services Businesses			
Current assets			
Cash and cash equivalents	185,657	**155,446**	**1,552**
Marketable securities	2,029	**15,409**	**154**
Finance receivables, net	4,108,139	**4,301,142**	**42,930**
Prepaid expenses and other current assets	766,552	**793,434**	**7,919**
Total current assets	5,062,377	**5,265,431**	**52,555**
Noncurrent finance receivables, net	5,894,925	**5,974,756**	**59,634**
Investments and other assets	703,476	**663,553**	**6,622**
Property, plant and equipment	2,074,656	**2,038,632**	**20,348**
Total Financial Services Businesses assets	13,735,434	**13,942,372**	**139,159**
Eliminations	(928,637)	**(901,080)**	**(8,993)**
Total assets	¥32,574,779	**¥32,458,320**	**$323,968**

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

	Yen in millions		U.S. dollars in millions
	March 31,		March 31,
	2007	**2008**	**2008**
Non-Financial Services Businesses			
Current liabilities			
Short-term borrowings	¥ 726,822	**¥ 725,563**	**$ 7,242**
Current portion of long-term debt	249,750	**183,879**	**1,835**
Accounts payable	2,212,598	**2,211,507**	**22,073**
Accrued expenses	1,537,918	**1,478,249**	**14,755**
Income taxes payable	404,388	**299,048**	**2,985**
Other current liabilities	1,258,905	**1,208,476**	**12,062**
Total current liabilities	6,390,381	**6,106,722**	**60,952**
Long-term liabilities			
Long-term debt	537,887	**391,303**	**3,905**
Accrued pension and severance costs	636,221	**627,450**	**6,263**
Other long-term liabilities	976,488	**866,741**	**8,651**
Total long-term liabilities	2,150,596	**1,885,494**	**18,819**
Total Non-Financial Services Businesses liabilities	8,540,977	**7,992,216**	**79,771**
Financial Services Businesses			
Current liabilities			
Short-term borrowings	3,404,713	**3,439,850**	**34,333**
Current portion of long-term debt	2,189,367	**2,511,719**	**25,070**
Accounts payable	16,286	**17,359**	**173**
Accrued expenses	135,106	**133,223**	**1,330**
Income taxes payable	16,808	**6,544**	**65**
Other current liabilities	417,457	**491,441**	**4,905**
Total current liabilities	6,179,737	**6,600,136**	**65,876**
Long-term liabilities			
Long-term debt	5,851,882	**5,726,042**	**57,152**
Accrued pension and severance costs	4,365	**4,847**	**48**
Other long-term liabilities	462,614	**510,415**	**5,095**
Total long-term liabilities	6,318,861	**6,241,304**	**62,295**
Total Financial Services Businesses liabilities	12,498,598	**12,841,440**	**128,171**
Eliminations	(929,132)	**(901,530)**	**(8,998)**
Total liabilities	20,110,443	**19,932,126**	**198,944**
Minority interest in consolidated subsidiaries	628,244	**656,667**	**6,554**
Shareholders' equity	11,836,092	**11,869,527**	**118,470**
Total liabilities and shareholders' equity	¥32,574,779	**¥32,458,320**	**$323,968**

Statements of income

	Yen in millions			U.S. dollars in millions
	For the years ended March 31,			For the year ended March 31,
	2006	2007	**2008**	**2008**
Non-Financial Services Businesses				
Net revenues	¥20,068,284	¥22,679,078	**¥24,831,172**	**$247,841**
Costs and expenses				
Cost of revenues	16,335,340	18,361,641	**20,459,061**	**204,203**
Selling, general and administrative	1,993,528	2,230,734	**2,181,491**	**21,773**
Total costs and expenses	18,328,868	20,592,375	**22,640,552**	**225,976**
Operating income	1,739,416	2,086,703	**2,190,620**	**21,865**
Other income, net	201,978	145,570	**176,417**	**1,761**
Income before income taxes, minority interest and equity in earnings of affiliated companies	1,941,394	2,232,273	**2,367,037**	**23,626**
Provision for income taxes	736,909	844,797	**889,660**	**8,880**
Income before minority interest and equity in earnings of affiliated companies	1,204,485	1,387,476	**1,477,377**	**14,746**
Minority interest in consolidated subsidiaries	(82,401)	(49,513)	**(73,543)**	**(734)**
Equity in earnings of affiliated companies	142,139	193,130	**268,025**	**2,675**
Net income—Non-Financial Services Businesses	1,264,223	1,531,093	**1,671,859**	**16,687**
Financial Services Businesses				
Net revenues	996,909	1,300,548	**1,498,354**	**14,955**
Costs and expenses				
Cost of revenues	613,563	879,203	**1,075,972**	**10,739**
Selling, general and administrative	227,529	262,850	**335,888**	**3,353**
Total costs and expenses	841,092	1,142,053	**1,411,860**	**14,092**
Operating income	155,817	158,495	**86,494**	**863**
Other expense, net	(9,859)	(8,171)	**(16,265)**	**(162)**
Income before income taxes, minority interest and equity in earnings of affiliated companies	145,958	150,324	**70,229**	**701**
Provision for income taxes	58,241	53,548	**21,904**	**219**
Income before minority interest and equity in earnings of affiliated companies	87,717	96,776	**48,325**	**482**
Minority interest in consolidated subsidiaries	(1,992)	(174)	**(4,419)**	**(44)**
Equity in earnings of affiliated companies	22,227	16,385	**2,089**	**21**
Net income—Financial Services Businesses	107,952	112,987	**45,995**	**459**
Eliminations	5	(48)	**25**	**0**
Net income	¥ 1,372,180	¥ 1,644,032	**¥ 1,717,879**	**$ 17,146**

Statements of cash flows

	Yen in millions			Yen in millions		
	For the year ended March 31, 2006			For the year ended March 31, 2007		
	Non-Financial Services Businesses	Financial Services Businesses	Consolidated	Non-Financial Services Businesses	Financial Services Businesses	Consolidated
Cash flows from operating activities						
Net income	¥ 1,264,223	¥ 107,952	¥ 1,372,180	¥ 1,531,093	¥ 112,987	¥ 1,644,032
Adjustments to reconcile net income to net cash provided by operating activities						
Depreciation	909,444	301,734	1,211,178	979,718	402,876	1,382,594
Provision for doubtful accounts and credit losses	10,361	52,285	62,646	(841)	72,703	71,862
Pension and severance costs, less payments	22,664	1,196	23,860	(33,319)	1,265	(32,054)
Losses on disposal of fixed assets	54,614	367	54,981	49,193	1,279	50,472
Unrealized losses on available-for-sale securities, net	4,163	—	4,163	4,614	—	4,614
Deferred income taxes	31,370	1,889	33,262	42,698	89,643	132,308
Minority interest in consolidated subsidiaries	82,401	1,992	84,393	49,513	174	49,687
Equity in earnings of affiliated companies	(142,139)	(22,227)	(164,366)	(193,130)	(16,385)	(209,515)
Changes in operating assets and liabilities, and other	(214,507)	138,766	(166,817)	182,548	125,700	144,173
Net cash provided by operating activities	2,022,594	583,954	2,515,480	2,612,087	790,242	3,238,173
Cash flows from investing activities						
Additions to finance receivables	—	(11,548,746)	(6,618,335)	—	(14,192,154)	(7,489,096)
Collection of and proceeds from sale of finance receivables	—	10,565,903	5,738,608	—	12,814,669	6,274,744
Additions to fixed assets excluding equipment leased to others	(1,516,658)	(6,801)	(1,523,459)	(1,414,468)	(11,346)	(1,425,814)
Additions to equipment leased to others	(144,391)	(962,034)	(1,106,425)	(153,163)	(1,111,218)	(1,264,381)
Proceeds from sales of fixed assets excluding equipment leased to others	81,950	7,628	89,578	56,040	8,381	64,421
Proceeds from sales of equipment leased to others	112,692	277,513	390,205	107,270	214,491	321,761
Purchases of marketable securities and security investments	(764,016)	(193,280)	(957,296)	(889,008)	(179,197)	(1,068,205)
Proceeds from sales of and maturity of marketable securities and security investments	561,948	129,084	691,032	708,130	117,041	825,171
Payment for additional investments in affiliated companies, net of cash acquired	(1,802)	—	(1,802)	(1,651)	—	(1,651)
Changes in investments and other assets, and other	(3,292)	(83,104)	(77,606)	(21,751)	15,250	(51,328)
Net cash used in investing activities	(1,673,569)	(1,813,837)	(3,375,500)	(1,608,601)	(2,324,083)	(3,814,378)
Cash flows from financing activities						
Purchase of common stock	(129,629)	—	(129,629)	(295,699)	—	(295,699)
Proceeds from issuance of long-term debt	33,904	1,930,823	1,928,788	31,509	2,897,028	2,890,000
Payments of long-term debt	(59,778)	(1,233,336)	(1,187,506)	(41,833)	(1,694,407)	(1,726,823)
Increase (decrease) in short-term borrowings	86,731	513,602	509,826	(83,651)	362,078	353,397
Dividends paid	(244,568)	—	(244,568)	(339,107)	—	(339,107)
Net cash provided by (used in) financing activities	(313,340)	1,211,089	876,911	(728,781)	1,564,699	881,768
Effect of exchange rate changes on cash and cash equivalents	58,211	10,532	68,743	21,995	3,434	25,429
Net increase (decrease) in cash and cash equivalents	93,896	(8,262)	85,634	296,700	34,292	330,992
Cash and cash equivalents at beginning of year	1,324,126	159,627	1,483,753	1,418,022	151,365	1,569,387
Cash and cash equivalents at end of year	¥ 1,418,022	¥ 151,365	¥ 1,569,387	¥ 1,714,722	¥ 185,657	¥ 1,900,379

	Yen in millions			U.S. dollars in millions		
	For the year ended March 31, 2008			For the year ended March 31, 2008		
	Non-Financial Services Businesses	Financial Services Businesses	Consolidated	Non-Financial Services Businesses	Financial Services Businesses	Consolidated
Cash flows from operating activities						
Net income	¥ 1,671,859	¥ 45,995	¥ 1,717,879	$ 16,687	$ 459	$ 17,146
Adjustments to reconcile net income to net cash provided by operating activities						
Depreciation	1,081,410	409,725	1,491,135	10,793	4,090	14,883
Provision for doubtful accounts and credit losses	357	122,433	122,790	4	1,222	1,226
Pension and severance costs, less payments	(54,868)	527	(54,341)	(547)	5	(542)
Losses on disposal of fixed assets	44,993	444	45,437	449	5	454
Unrealized losses on available-for-sale securities, net	11,346	—	11,346	113	—	113
Deferred income taxes	80,027	1,500	81,458	798	15	813
Minority interest in consolidated subsidiaries	73,543	4,419	77,962	734	44	778
Equity in earnings of affiliated companies	(268,025)	(2,089)	(270,114)	(2,675)	(21)	(2,696)
Changes in operating assets and liabilities, and other	(220,217)	215,218	(241,928)	(2,198)	2,148	(2,415)
Net cash provided by operating activities	2,420,425	798,172	2,981,624	24,158	7,967	29,760
Cash flows from investing activities						
Additions to finance receivables	—	(16,644,139)	(8,647,717)	—	(166,126)	(86,313)
Collection of and proceeds from sale of finance receivables	—	15,095,380	7,332,697	—	150,667	73,188
Additions to fixed assets excluding equipment leased to others	(1,472,422)	(8,148)	(1,480,570)	(14,697)	(81)	(14,778)
Additions to equipment leased to others	(137,711)	(1,141,694)	(1,279,405)	(1,375)	(11,395)	(12,770)
Proceeds from sales of fixed assets excluding equipment leased to others	56,603	10,948	67,551	565	109	674
Proceeds from sales of equipment leased to others	80,944	294,937	375,881	808	2,944	3,752
Purchases of marketable securities and security investments	(936,324)	(215,316)	(1,151,640)	(9,346)	(2,149)	(11,495)
Proceeds from sales of and maturity of marketable securities and security investments	789,366	198,044	987,410	7,879	1,977	9,856
Payment for additional investments in affiliated companies, net of cash acquired	(4,406)	—	(4,406)	(44)	—	(44)
Changes in investments and other assets, and other	(44,891)	23,024	(74,687)	(447)	230	(745)
Net cash used in investing activities	(1,668,841)	(2,386,964)	(3,874,886)	(16,657)	(23,824)	(38,675)
Cash flows from financing activities						
Purchase of common stock	(311,667)	—	(311,667)	(3,111)	—	(3,111)
Proceeds from issuance of long-term debt	17,162	3,364,351	3,349,812	171	33,579	33,434
Payments of long-term debt	(226,561)	(2,156,709)	(2,310,008)	(2,261)	(21,526)	(23,056)
Increase in short-term borrowings	24,126	370,293	408,912	241	3,696	4,081
Dividends paid	(430,860)	—	(430,860)	(4,300)	—	(4,300)
Net cash provided by (used in) financing activities	(927,800)	1,577,935	706,189	(9,260)	15,749	7,048
Effect of exchange rate changes on cash and cash equivalents	(65,405)	(19,354)	(84,759)	(653)	(193)	(846)
Net decrease in cash and cash equivalents	(241,621)	(30,211)	(271,832)	(2,412)	(301)	(2,713)
Cash and cash equivalents at beginning of year	1,714,722	185,657	1,900,379	17,115	1,853	18,968
Cash and cash equivalents at end of year	¥ 1,473,101	¥ 155,446	¥ 1,628,547	$ 14,703	$ 1,552	$ 16,255

25. Per share amounts:

Reconciliations of the differences between basic and diluted net income per share for the years ended March 31, 2006, 2007 and 2008 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, 2006				
Basic net income per common share	¥1,372,180	3,253,450	¥421.76	
Effect of dilutive securities				
Assumed exercise of dilutive stock options	(5)	1,049		
Diluted net income per common share	¥1,372,175	3,254,499	¥421.62	
For the year ended March 31, 2007				
Basic net income per common share	¥1,644,032	3,210,422	¥512.09	
Effect of dilutive securities				
Assumed exercise of dilutive stock options	(2)	1,812		
Diluted net income per common share	¥1,644,030	3,212,234	¥511.80	
For the year ended March 31, 2008				
Basic net income per common share	**¥1,717,879**	**3,177,445**	**¥540.65**	**$5.40**
Effect of dilutive securities				
Assumed exercise of dilutive stock options	**(1)**	**1,217**		
Diluted net income per common share	**¥1,717,878**	**3,178,662**	**¥540.44**	**$5.39**

Certain stock options were not included in the computation of diluted net income per share for the years ended March 31, 2008 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, 2007 and 2008. 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, 2007	¥11,836,092	3,197,936	¥3,701.17	
March 31, 2008	**11,869,527**	**3,149,279**	**3,768.97**	**$37.62**

Management's Annual Report on Internal Control over Financial Reporting

Toyota's management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Toyota's internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of Toyota's assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that Toyota's receipts and expenditures are being made only in accordance with authorizations of Toyota's management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of Toyota's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Toyota's management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, management concluded that Toyota's internal control over financial reporting was effective as of March 31, 2008.

PricewaterhouseCoopers Aarata, an independent registered public accounting firm that audited the consolidated financial statements included in this report, has also audited the effectiveness of Toyota's internal control over financial reporting as of March 31, 2008, as stated in its report included herein.

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, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Toyota Motor Corporation and its subsidiaries at March 31, 2007 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of March 31, 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our audits (which were integrated audits for the years ended March 31, 2007 and 2008). We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers Aarata

Nagoya, Japan
June 24, 2008

Investor Information

As of March 31, 2008

Corporate Information

» Corporate Data

Company Name: Toyota Motor Corporation

Established: August 28, 1937

Common Stock: ¥397,049 million

Fiscal Year-End: March 31

Public Accounting Firm: PricewaterhouseCoopers Aarata

Number of Affiliates: [Consolidated Subsidiaries] 530
[Affiliates Accounted for
by the Equity Method] 55

Number of Employees: 69,478 (Consolidated: 316,121)

Corporate Web Site: [Corporate Information]
http://www.toyota.co.jp/en

[IR Information]
http://www.toyota.co.jp/en/ir

Stock Information

» Stock Data

Number of Shares Authorized: 10,000,000,000 shares

Number of Shares Issued: 3,447,997,492 shares

Number of Treasury Stock: 298,717,640 shares

Number of Shareholders: 522,135

Number of Shares per Trading Unit: 100 shares

Stock Listings:
[Japan] Tokyo, Nagoya, Osaka, Fukuoka, Sapporo
[Overseas] New York, London

Securities Code:
[Japan] 7203

American Depositary Receipts (ADR):
[Ratio] 1ADR = 2 common stocks
[Symbol] TM

Transfer Agent in Japan:
Mitsubishi UFJ Trust and Banking Corporation
10-11, Higashisuna, 7-chome, Koutou-ku,
Tokyo 137-8081, Japan
Japan Toll-Free: (0120) 232-711

Depositary and Transfer Agent for ADR:
The Bank of New York
101 Barclay Street, New York, NY 10286, U.S.A.
Tel: (866) 238-8978
U.S. Toll-Free: (888) 269-2377
(888) BNY-ADRS
http://www.adrbnymellon.com

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Tel: (0565) 28-2121 Fax: (0565) 23-5800

Tokyo Head Office
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Tokyo 112-8701, Japan
Tel: (03) 3817-7111 Fax: (03) 3817-9092

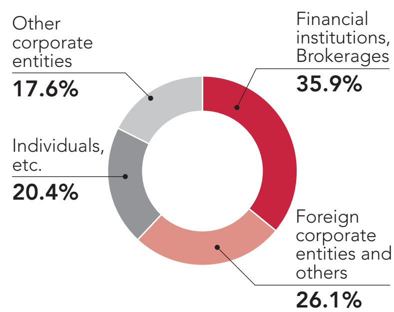
U.S.A.: **Toyota Motor North America, Inc.**
9 West 57th St., Suite 4900, New York,
NY 10019, U.S.A.
Tel: (212) 223-0303 Fax: (212) 759-7670

U.K.: **Toyota Motor Europe**
Curzon Square, 25 Park Lane,
London W1K 1RA, U.K.
Tel: (020) 7290-8500 Fax: (020) 7290-8501

» Major Shareholders (Top 10)

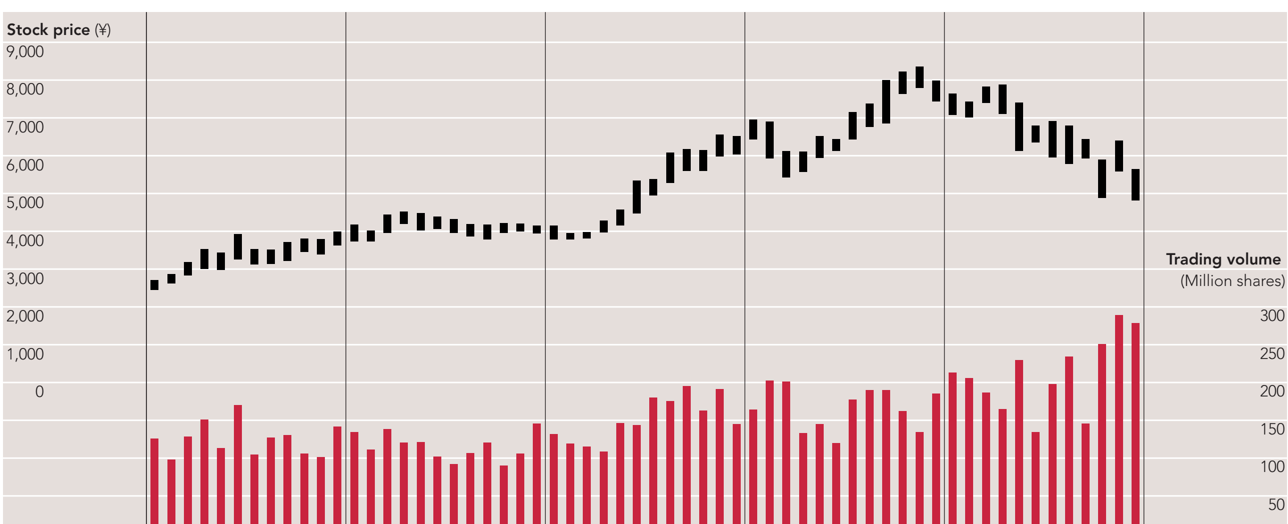
Name	Number of Shares Held (Thousands)
The Master Trust Bank of Japan, Ltd.	217,049
Japan Trustee Services Bank, Ltd.	216,780
Toyota Industries Corporation	200,195
Nippon Life Insurance Company	131,653
Hero and Company	121,480
Trust and Custody Services Bank, Ltd.	105,072
State Street Bank and Trust Company	97,459
Tokio Marine and Nichido Fire Insurance Co., Ltd.	83,821
Mitsui Sumitomo Insurance Co., Ltd.	65,166
DENSO CORPORATION	58,678

» Ownership Breakdown



Note: Individuals, etc. includes shares of 298 million treasury stock.

» Toyota's Stock Price and Trading Volume on the Tokyo Stock Exchange



FY	2004	2005	2006	2007	2008
High	3,990	4,520	6,560	8,350	7,880
Low	2,455	3,730	3,790	5,430	4,810
At Year-End	3,880	3,990	6,430	7,550	4,970

Note: Fiscal years ended March 31

TOYOTA MOTOR CORPORATION

http://www.toyota.co.jp

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